



UNITED STATES DEPARTMENT OF AGRICULTURE



AGENCY FINANCIAL REPORT

2025

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[Agency Financial Reports \(AFR\) | USDA](#).

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Message from Secretary Rollins



As we report our 2025 financial review to the American public, I would like to thank President Donald J. Trump, my partners in the Cabinet and on Capitol Hill, and our USDA employees who stand committed to supporting President Trump and American agriculture. Over the past year, together we implemented new policy in support of our farmers, rural residents, and those in greatest need while combating fraud and wasteful expenditures. Our actions to improve efficiency and accountability strengthen American agriculture and put farmers first while delivering healthy food to our people. Under the Trump Administration, we have delivered unprecedented support, bold reforms, and strategic investments that ensure U.S. agriculture remains competitive, resilient, and prosperous.

These achievements were accomplished through policy reforms with direct financial assistance aimed at reinvigorating the agricultural sector after years of neglect and mismanagement. In FY2025 alone, the Department distributed over \$145 billion through 287 programs, resulting in nearly 38,000 new awards to farmers, ranchers, foresters, families, rural communities, small businesses, universities, and various other entities.

Our farmers and producers are the cornerstone of our work. Included in the totals, USDA delivered over \$30 billion in ad hoc assistance through programs like the Emergency Commodity Assistance Program, the Marketing Assistance for Specialty Crops Program, and the Supplemental Disaster Relief Program to help hundreds of thousands of farmers recover from economic hardships and severe weather events. These efforts underscore our unwavering dedication to supporting producers during times of uncertainty. Beyond emergency relief, structural improvements were introduced through landmark legislation that redefines the future of American farming.

The signing of One Big Beautiful Bill Act (OBBA) on July 4th marked a turning point for American agriculture. This landmark legislation strengthens crop insurance, raises statutory reference prices for major commodities, and expands eligibility for safety-net programs. Farmers will benefit from \$400 million in annual savings on insurance premiums, improved loan rates, and historic investments in conservation programs totaling \$34 billion over the next decade.

OBBA also secures critical tax provisions, including permanency of the 20% qualified business income deduction and full bonus depreciation, ensuring family farms can thrive for generations.

While strengthening domestic safety nets, we also turned our attention outward-expanding trade opportunities to ensure U.S. producers thrive in global markets. To secure long-term economic stability for our farmers, distributors and businesses, our Administration prioritized expanding trade opportunities for U.S. producers.

Through the America First Trade Promotion Program and new agreements with more than 15 countries, we have opened markets for American beef, poultry, dairy, grains, and specialty crops. These deals eliminate tariffs, reduce non-tariff barriers, and create billions in new export opportunities-strengthening America's role as a global agricultural leader.

In addition to opening new markets, we focused on reducing operational costs and fostering fair competition to create a more sustainable environment for producers. We have taken decisive action to lower costs and promote fair competition by reducing farm input and labor costs. Deregulatory measures have saved agricultural employers \$2 billion in labor expenses, while new antitrust enforcement initiatives protect farmers from price fixing and anti-competitive practices. These steps ensure a fair, transparent marketplace and lower costs for producers.

Our commitment to affordability and fairness extends to programs that support farmers and rural communities, while advancing renewable energy initiatives that benefit the entire economy. This year with nearly \$1 billion in Section 32 purchases, we supported U.S. farmers while feeding those most in need through charitable feeding networks. At the same time, we remain the most pro-biofuels Administration in history, advancing policies that strengthen the Renewable Fuel Standard and expand year-round E15 sales-boosting demand for American corn and soybeans while delivering energy security.

As we enter the 250th year of our nation's founding, our focus remains clear: empowering American farmers, expanding global market access, rebuilding rural economies, and driving innovation to secure a stronger future for U.S. agriculture. These combined efforts set the stage for continued progress as we enter 2026 with a vision for continuing growth and resilience in U.S. agriculture and throughout our rural communities.

Thank you for your continued trust and support as the Trump Administrations works together with you to build a prosperous and resilient nation.

Sincerely,



Brooke L. Rollins
Secretary
U.S. Department of Agriculture

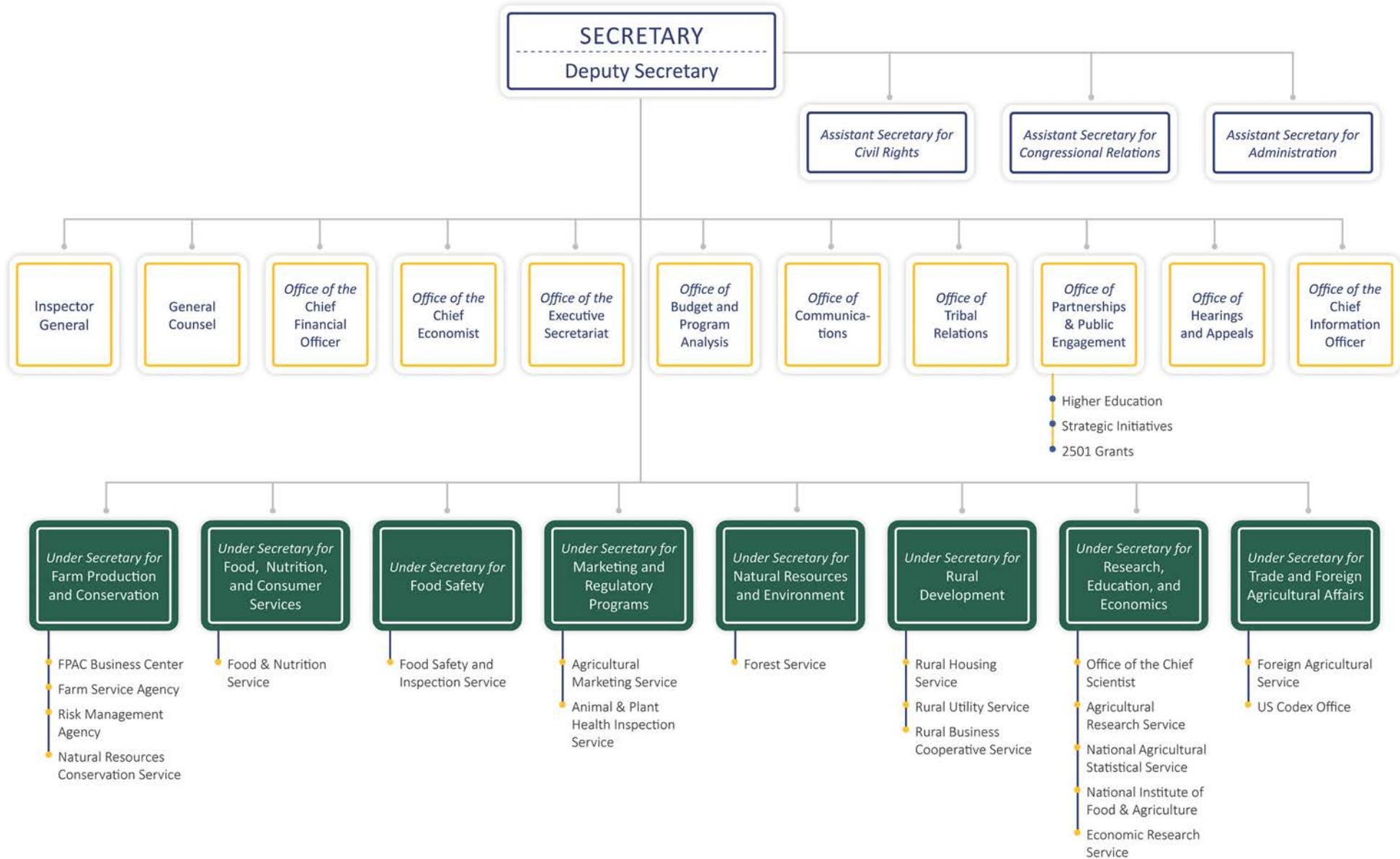
January 27, 2026



MANAGEMENT'S DISCUSSION AND ANALYSIS

SECTION I

Organization Chart



Mission Areas and Staff Offices

Farm Production and Conservation (FPAC)

FPAC is USDA's focal point for the Nation's farmers, ranchers, and other stewards of private agricultural and nonindustrial private forest lands. FPAC agencies implement programs designed to mitigate the significant risks of farming through crop insurance, conservation programs, farm safety net programs, lending, and disaster programs.

- [Farm Production and Conservation Business Center \(FPAC-BC\)](#)
- [Farm Service Agency \(FSA\)](#)
- [Natural Resources Conservation Service \(NRCS\)](#)
- [Risk Management Agency \(RMA\)](#)

Food, Nutrition, and Consumer Services (FNCS)

Food, Nutrition, and Consumer Services works to harness the Nation's agricultural abundance to reduce food and nutrition insecurity in the United States. Its operating agency, the Food and Nutrition Service, administers federal domestic nutrition assistance programs and includes the Center for Nutrition Policy and Promotion, which links scientific research to the nutrition needs of consumers through science-based dietary guidance, nutrition policy coordination, and nutrition education.

- [Food and Nutrition Service](#)

Food Safety

Food Safety and Inspection Service is the USDA public health agency responsible for protecting the public's health by ensuring the safety of meat, poultry, and egg products. FSIS ensures food safety through the authorities of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, as well as humane animal handling through the Humane Methods of Slaughter Act.

- [Food Safety and Inspection Service](#)



Marketing and Regulatory Programs (MRP)

Marketing and Regulatory Programs facilitates domestic and international marketing of U.S. agricultural products, promotes fair and competitive markets, protects U.S. plant and animal health, regulates genetically engineered organisms, administers the Animal Welfare Act, and carries out wildlife damage management activities. MRP agencies are active participants in setting national and international standards.

- [Agricultural Marketing Service \(AMS\)](#)
- [Animal and Plant Health Inspection Service \(APHIS\)](#)

Natural Resources and Environment (NRE)

The mission of Natural Resources and Environment is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. It carries out its mission in partnership with States, Tribes, and communities across the country who steward the Nation's forest and grasslands.

- [Forest Service \(FS\)](#)

Research, Education, and Economics (REE)

USDA's Research, Education, and Economics mission area is dedicated to creating a safe, sustainable, competitive, and equitable U.S. food and fiber system. We support American farmers, ranchers, and foresters, and help build stronger communities, families, and youth through sound integrated research, analysis, and education. REE provides credible, data-driven scientific guidance rooted in scientific research, economic data, and statistical analysis through our five component organizations.

- [Agricultural Research Service \(ARS\)](#)
- [Economic Research Service \(ERS\)](#)
- [National Agricultural Statistics Service \(NASS\)](#)
- [National Institute of Food and Agriculture \(NIFA\)](#)
- [Office of the Chief Scientist \(OCS\)](#)

Rural Development (RD)

USDA Rural Development invests in rural America with loan, grant, and loan guarantee programs because we understand a strong community is rooted in its people. The commitment and resources we bring to rural communities helps drive economic security and prosperity. Our programs expand access to high-speed internet, electric, and transportation infrastructure, and support business growth, healthcare, education, housing, and other community essentials.

- [Rural Business-Cooperative Service](#)
- [Rural Utilities Service](#)
- [Rural Housing Service](#)

Trade and Foreign Agricultural Affairs (TFAA)

Trade and Foreign Agricultural Affairs' (TFAA) role is to provide our farmers and ranchers with opportunities to compete in the global marketplace. TFAA is the Department's lead on trade policy with the primary responsibility of ensuring USDA speaks with a unified voice on international agricultural issues domestically and abroad. Within TFAA, the Foreign Agricultural Service is the lead U.S. agency tasked with promoting exports of U.S. agricultural products through market intelligence, trade policy, trade capacity building, and trade promotion programs. This work is carried out by staff in Washington, D.C., as well as a global network of 95 offices covering 177 countries. Also, within TFAA, the U.S. Codex Office coordinates U.S. participation in the Codex Alimentarius Commission, a United Nations body that sets international food standards while protecting consumer health and ensuring fair trade practices.

- [Foreign Agricultural Service \(FAS\)](#)
- [US Codex Office](#)

Staff Offices

Our staff offices provide support to Department officials and employees at all levels, and they support our programs and services by working with our agencies, Congress, organizations, and tribal governments. To learn more about USDA staff offices, please visit the [USDA Staff Offices website](#) for the most current data and information.

Program Performance

Mission and Strategic Plan

Mission

We provide leadership on food, agriculture, natural resources, rural development, nutrition, and related issues based on public policy, the best available science, and effective management.

FY 2026–2030 Strategic Plan

The Strategic Plan outlines the long-term goals and objectives USDA hopes to accomplish and what actions the Department will take to realize those goals. The Strategic Plan provides the context for decisions about performance goals, priorities, and budget planning, and the framework for the detail provided in the Annual Performance Report (APR) and Annual Performance Plan (APP). The FY 2026-2030 Strategic Plan is under development and will identify the goals and priorities for the Administration.



Performance Management Lifecycle

The Department's performance management lifecycle, highlighted below, establishes a strategic planning process driven by data, supported with evidence, and focused on results.

Performance Management Lifecycle



Performance Measurement

The Strategic Plan is supported by performance measures, or Key Performance Indicators (KPIs), that measure progress towards achieving the strategic goals and objectives as well as Agency Priority Goals (APGs) that represent near-term achievements that leadership wants to accomplish within two years. Given that USDA is currently developing the FY 2026-2030 Strategic Plan with new KPIs and new FY 2026-2027 APGs, the FY 2025 AFR will not include the status of USDA's new KPIs and APGs.

USDA's full FY 2025 performance results will be presented in the joint FY 2027 APP/FY 2025 APR. This report will be posted on the [USDA Our Performance website](#) concurrent with the publication of the FY 2026-2030 Strategic Plan, the FY 2026-2027 APGs, and FY 2027 President's Budget in Spring 2026.

Analysis of Systems, Control, and Legal Compliance

Statement of Assurance

The Department of Agriculture's management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA). The Department conducted its assessment of risk and internal control in accordance with Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2025, except for the following material weaknesses reported: (1) information technology (IT) and (2) financial management.

The Department also assessed the compliance of the financial management systems with Federal Financial Management Systems' requirements in accordance with FMFIA Section 4; Federal Financial Management Improvement Act (FFMIA) Section 803(a); and OMB Circular No. A-123, Appendix D. These regulations require federal agencies to implement and maintain financial management systems that comply with federal financial management system requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. As a result of the assessments conducted, we are reporting non-compliance with FFMIA.

In addition, the Department continues to report instances of non-compliance with Anti-Deficiency Act violations, two of which were reported to the President and Congress this year, three pending submissions and one under review as a potential violation.

Pursuant to the Payment Integrity Information Act of 2019 (PIIA) executive agencies are required to identify and reduce improper payments. For FY 2025, the department fulfilled its high-dollar quarterly overpayment reporting requirements mandates by OMB. Although, USDA is noncompliant with PIIA for FY 2024, the Department is committed to identifying effective controls that will detect and prevent improper payments. Specifically, the department was not compliant with four of the six PIIA requirements, which are covered in the FY 2024 OIG report. The continued collaboration and partnership with USDA's Inspector General (IG) and the Department of Treasury/Fraud Prevention and Financial Integrity Office has been beneficial in the effort to assess eligibility of prepayment awards. The department will continue to identify and review all programs to reduce its improper payments.

The details of the exceptions are provided in the FMFIA, FFMIA, Compliance with Laws and Regulations, and Summary of Financial Statement Audit and Management Assurances sections of this report. One material weakness was found in the (1) internal control over reporting as of September 30, 2025. Four material weaknesses were found in the design of the internal control over (2) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2025.



Brooke L. Rollins
Secretary of Agriculture

January 27, 2026



Federal Managers' Financial Integrity Act Report on Management Control

Background

Federal Managers' Financial Integrity Act (FMFIA) requires ongoing evaluations of internal controls and financial management systems. These evaluations lead to an annual statement of assurance that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, abuse, and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles, and other requirements to ensure that federal managers have timely, relevant, and consistent financial information for decision-making purposes.

The Department evaluated its internal controls in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

The Department remains committed to reducing the risks associated with its deficiencies. It also strives to efficiently and effectively operate its programs in compliance with FMFIA and other applicable laws and regulations.

The Department operates a comprehensive internal control program. This program ensures compliance with the requirements of FMFIA, OMB Circular No. A-123, and its Appendices A through D, and other laws and regulations and conformance with FFMIA. All managers within the Department must ensure their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements. In addition, management within the Department works with the OIG and the GAO to remediate the root causes of material weaknesses.

The following results may reappear in multiple sections with greater context and content specific reporting.



Fiscal Year 2025 Results

The Department has material weaknesses in internal controls over IT and financial management. The result of the Federal Information Security Modernization Act (FISMA) audit showed the Department improved the effective level of IT security to be within OMB's acceptable level of standards. However, the material weakness still exists because new recommendations were issued to address deficiencies within The Department's information security program. The Department implemented the recommendation from the FY 2023 Consolidated Financial statement audit regarding the change in obligation recognition point for the Supplemental Nutrition Assistance Program (SNAP) benefits in September 2023. The material weakness for financial management still exists. A new material weakness was found for Rural Development during their FY 2025 Financial Statement Audit. The material weakness is related to the Unliquidated Obligation (ULO) Review process over Internal Control over Financial Reporting.

The Department reported two Anti-Deficiency Act (ADA) violations to the President and Congress during the fiscal year. In addition, three confirmed violations are pending submission to the President and Congress. One potential violation is under observation and investigation. A detailed description and summary of the Department's ADAs can be found in the Compliance with Laws and Regulations section of this report.

The Secretary's Statement of Assurance provides modified assurance that the Department's system of internal control complies with FMFIA objectives. For additional details on the results reported in USDA's Consolidated Financial Statements Audit Report, see the Summary of Financial Statement Audit and Management Assurances section of this report.



Summary of Outstanding Material Weaknesses

Exhibit 1 provides FY 2025 accomplishments and FY 2026 planned actions toward resolving the outstanding material weaknesses.

Exhibit 1: Summary of Outstanding Material Weaknesses

USDA IT

Material Weaknesses Existing	The Department needs to continue its efforts to improve IT security and overall IT maturity to an effective level. In addition, the Department needs to continue remediation of its remaining outstanding audit recommendations.	
Overall Estimated Completion Date	FY 2026	
FY 2025 Accomplishments:	FY 2026 Planned Actions:	
During FY 2025, the Office of the Chief Information Officer (OCIO):	<p>OCIO will:</p> <ul style="list-style-type: none">Continue to mature our cybersecurity posture to support the mission of USDA.Ensure OCIO policies, practices, and initiatives address the risks in an ever-evolving threat landscape.Continue to develop a skilled and agile cyber workforce, capable of leveraging emerging technologies such as artificial intelligence and machine learning.	
<ul style="list-style-type: none">For the first time, U.S. Department of Agriculture (USDA) earned an Inspector General Federal Information Security Modernization Act (FISMA) maturity rating of level 4 out of 5 during the FY25 FISMA audit. A level 4 maturity rating of Managed and Measurable, serves as the baseline for effective management of information technology resources and risks. This maturity level signifies that while OCIO consistently implements security policies and procedures, we also collect and use quantitative and qualitative data to measure our effectiveness and make programmatic adjustments. The following key initiatives contributed to this achievement:The early adoption of the Department of Homeland Security (DHS) Continuous Monitoring and Diagnostic program approved tools, integrated services, and dashboards improved the visibility of USDA networks and systems. The adoption allowed real-time data to inform risk-based decisions and measure the health of the cybersecurity program.USDA prioritized Security Operations Center consolidation and maturation, mitigation of incidents, and sharing information across the federal government. This improved the maturity rating in the Incident Response domain to Optimized, the highest level of maturity.USDA was one of the only large federal agencies to achieve Event Logging Level 3 (EL3), the highest level of cybersecurity event logging maturity. EL3 centralizes access and visibility for the USDA Security Operations Center.		

USDA Financial Management

Material Weaknesses Existing	The basis for this weakness was that in September of 2023, the obligation recognition point for SNAP benefits was changed.
Overall Estimated Completion Date	FY 2026
FY 2025 Accomplishments:	FY 2026 Planned Actions:

During FY 2025, FNS.	FNS will:
<ul style="list-style-type: none"> • Food, Nutrition, and Consumer Services (FNCS) formally closed recommendation 1 from OIG 50401-0022-11, "USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022" based on completing an analysis and associated position paper describing the reasoning and methodology for the accounting theory and practice for changing the obligation recognition point in September 2023. The Government Accountability Office (GAO) issued an opinion on the matter in February 2025, which is non-binding as detailed in the newest version of OMB Circular A-11 issued on August 29, 2025. FNCS does not currently plan to change course on the change in SNAP obligation recognition point. 	<ul style="list-style-type: none"> • Continue to work with OIG, as appropriate, on any forthcoming recommendations and/or additional guidance provided through the 2025 financial statements audit.



Federal Financial Management Improvement Act Report on Financial Management Systems

FFMIA is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply with (1) Federal Financial Management System (FFMS) requirements, (2) applicable Federal accounting standards, and (3) the U.S. Standard General Ledger (USSGL) at the transaction level.

The Office of the Inspector General found an improvement in system maturity level; however, weaknesses still exist. More detailed information on the status of corrective actions planned and to be completed to comply with the Federal Information Security Modernization Act (FISMA) is provided in the Department's Management Challenges section of this report.

The following results may reappear in multiple sections with greater context and content specific reporting.

FY 2025 Results

During FY 2025, the Department evaluated its financial management systems to assess compliance with FFMIA. In assessing FFMIA compliance, USDA considered auditors' opinions on component agencies' financial statements and progress in addressing the material weaknesses identified in the FY 2024 Agency Financial Report (AFR).

USDA continues to have weaknesses in IT configuration that result in non-compliance with the FISMA requirement. USDA is not compliant with USSGL at the transaction level due to deficiencies identified for the Commodity Credit Corporation (CCC) (See Exhibit 2). As part of its financial systems strategy, USDA agencies continue working to meet FFMIA and FISMA objectives. The following exhibit contains the outstanding initiatives to achieve compliance.

Exhibit 2: Initiatives to be Completed

Outstanding Initiatives to Achieve FFMIA Compliance

Initiative	Section of Non-Compliance	Agency	Target Completion Date
Information Technology	FFMS requirements and information security policies, procedures, and/or practices.	Multiple	7/26/2026
Financial Management	USSGL at the transaction level.	CCC	9/30/2030

CCC Non-Compliance

CCC non-compliance with USSGL remains on-going in FY 2025. The financial management systems did not record certain obligations and accruals at the transaction level in accordance with the USSGL. The agency continues to implement compensating controls over the accounting for obligation activity, making significant progress. CCC continues implementing its program obligation activity into the Financial Management Modernization Initiative through a phased approach.

CCC Timeline for Remediation:

FY 2025: Resumed CCC Financial Improvement Project interface with Farm Production and Conservation Business Center owned applications and Financial Management Modernization Initiative (FMMI); completion of the Financial Intelligence Enterprise Transformation (FIET) initiative.

Future Actions: The planned FY 2026 to FY 2030 migration of remediated non-loan, non-fee-based programs to FMMI from CORE is currently paused and therefore will not have an estimated timeline to report.



Compliance with Laws and Regulations

The Department of Agriculture developed strategies to reduce and/or mitigate confirmed violations during FY 2025. The Department remains non-compliant with ADA. The Department is also noncompliant with PIIA requirements for FY 2025.

The following exhibits provide further details of each violation.

Anti-Deficiency Act

Each agency within USDA conducts assessments on their own Anti-Deficiency Act compliance. Results are submitted monthly. Violations are reported to Congress, OIG, and the President.

Exhibit 3: Two ADA Violations were Reported to the President and Congress During 2025

Agency:	Year Identified
Violation: The violation is a result of failing to ensure compliance with instructions from OMB A-11, Preparation, Submission, and Execution of the Budget. The error is a recurrence from fiscal year 2018 but was corrected before the end of fiscal year 2024 after a diligent review. OCFO and OBPA revised the staff apportionment request for FY 2024 to properly reflect the reimbursement authority for Staff Offices. However, the correction could not be made for apportionments that occurred between fiscal years 2018-2023.	FY 2024
Violation: The violation occurred on September 29, 2021, when the U.S. Department of Agriculture's (USDA) Farm Production and Conservation Business Center (FPAC-BC) obligated more than \$25,000 on a contract for Vehicle Telematics software and hardware devices to be installed in USDA Natural Resources Conservation Service (NRCS) fleet of vehicles. The amount obligated was \$2,556,031. These devices are classified as information technology (IT) and FPAC-BC failed to comply with the required approval process under Section 706 prior to funding the contract for NRCS.	FY 2023



Exhibit 4: ADA Violation Pending Submission to the President and Congress; Three ADA violation is pending issuance of a letter.

Agency	Description of Violation	Status	Phase
CCC	FY 2024: The Agriculture Risk Coverage (ARC) Program and Price Loss Coverage (PLC) Program request CCC Indefinite Borrowing Authority and OMB Apportionment based on Mid-Session Review estimates provided by the Economic Policy Analysis Division at various points during the fiscal year. In September 2024 the estimate dramatically spiked and exceeded the 05/30/24 estimate upon which authority was made. Per obligations estimate methodology CCC has obligated approximately \$746 million dollars more in the ARC and PLC programs than was requested on the latest FY 2024 SF-132.	Letters in clearance	The Office of the General Counsel (OGC) determined a violation occurred
CCC	FY 2017: The prior year accounting treatment for obligations related to the Conservation Reserve Program — Annual Rental contracts were determined to be in error with an ADA total of \$9,921,859,680. Only the annual portion of the contract values was recorded as an obligation.	Letters are being drafted	On December 9, 2024, GAO determined a violation occurred.
CCC	FY 2018: Emergency Forestry Conservation Reserve Program — CCC failed to record the obligation for the full value of the long-term contract when the contract was signed. The ADA violation amount was \$2,200,000.	Letters are being drafted	On December 9, 2024, GAO determined a violation occurred.

Potential ADA Violations—One prior year potential violation was identified and pending results from research and investigation for determination as to whether a violation occurred. Exhibit 5 provides a description and status.

Exhibit 5: Prior Years' Identified Potential ADA Violations

Agency	Description of Violation	Status	Phase
APHIS	APHIS noted a handful of leases either not scored or incorrectly scored as an operating or capital lease in an OIG review of the FY 2023 APHIS leases. The lease classification concern of approximately \$35 million aggregate is considered to be a control deficiency for materiality purposes. APHIS is in the exploratory phase whereby they are working with the OCFO and have prepared a Summary of Uncorrected Misstatements due to uncorrected lease issues and may be formulating a corrective action plan. The Agency plans to consult with OGC to confirm that there is no identified ADA violation.	Potential Violation	Awaiting determination from the OGC.

Payment Integrity Information Act

USDA's OIG conducted a review of the Department's Compliance with Improper Payment Requirements. The report was issued May 2025 and included findings and recommendations for corrective action. The OIG report can be found at [USDA's Compliance with Improper Payment Requirements for FY 2024 \(oversight.gov\)](https://oversight.gov/reports/usda-compliance-with-improper-payment-requirements-fy-2024).

Exhibit 6: The OIG report identified four of the six PIIA requirements were not met.

Agency	Description of Noncompliance	Status	Audit Report Number
FSA & FNS	Programs either: exceeded the 10% improper payment (IP) and unknown payment (UP) rate; did not reach a tolerable IP/UP rate and/or demonstrate improvements; aggregation errors not reported; IP/UP estimates were not published; and root causes of IPs were not properly identified.	OIG determined	50024-0016-11



Financial Management System Strategy

USDA Financial Management Services (FMS) component of the Office of the Chief Financial Officer (OCFO) provides timely, accurate, and complete financial information to USDA agencies to execute their mission. Specifically, FMS provides cloud-based, commercial-off-the-shelf Enterprise Resource Planning (ERP) software equipping USDA staff offices and agencies with the functionality necessary to distribute, obligate, expend, and report on the funds entrusted to them by the U.S. Congress.

FMS operates as an internal Shared Services Provider (SSP) to USDA staff offices and agencies. FMS offers proactive, cost-effective services providing value-added management services, expertise, and consultation to federal agencies to generate efficiencies and support through the consolidation and standardization of functions, standard processing, and repeatable processes.

The OCFO leverages financial system successes to deliver efficient, cost-effective, mission-focused, collaboratively developed, and strategically aligned programs and tools. OCFO's system objectives in FY 2025 were to:

- Build financial system agility and visibility through integrated ERP systems capability and deploying emerging technology.
- Expand capabilities of the OCFO system to share, reuse, and integrate business capabilities, technology, and data across the Department and with external partners and stakeholders.
- Increase application and system efficiencies by collaborating in Department-wide application rationalization efforts.

The OCFO will continue to advance its financial system by implementing emerging ERP technology platforms, improving connectivity, reducing the marginal costs of accessing information, and providing new ways to aggregate and analyze information.



Financial Management Lines of Business

FMS's mission as an internal SSP is to provide dependable, cost-effective, employee-centric systems and services to USDA organizations, thus enabling customers to focus on serving this great Nation through their mission delivery. FMS's goal is to provide the necessary activities for executing the Financial Management Lines of Business vision. The three central components of this vision are (1) communication, (2) governance, and (3) operations.

FMS's key activities include:

- Budget execution
- General ledger accounting
- Financial reporting
- Audit support
- Payroll accounting
- Investment accounting
- Commercial vendor payments
- Temporary duty travel payments
- Permanent change of station employee relocation payments
- Grant payments
- Purchase card payments
- Lease accounting
- Intragovernmental payments
- Intragovernmental collections
- Receivable management
- Property accounting
- Grants management

FMS's primary objectives are to:

- Enhance the enterprise financial management services to provide faster, less expensive, and low-risk solutions to customers.
- Integrate with the National Finance Center (NFC) payroll processing services.
- Provide an enterprise grants management service featuring a full life cycle management tool for grants administration to provide visibility to the Government and the grant recipient.
- Maintain a complete audit-compliant financial solution with full documentation meeting financial requirements.
- Pursue continuous process, operational, and organizational improvements for shared services retained in the future state portfolio.
- Provide powerful, flexible, and real-time financial management and reporting.
- Process administrative payments, collections, and certifications timely and accurately.



Successes During FY 2025

For FY 2025, FMS made significant strides in accomplishing our objectives and meeting milestones. Many of our successes came from implementing mandates from the Office of Personnel Management, U.S. Treasury, and the FIET implementation. The narratives describe the milestones achieved throughout FY 2025, as part of the bigger project. The following pages will provide additional information on our success throughout the year.

Financial Management Modernization Initiative Intelligent Enterprise Transformation (FIET)

FMMI, USDA's financial system of record, was based on a Systems, Applications, and Products (SAP) platform and will be obsolete in 2027. Consequently, FMS migrated to a next-generation SAP intelligent enterprise platform leveraging SAP Business Suite 4 High-performance SAP Analytic Appliance (S/4HANA) technology through the FIET project. The new S4/HANA system is an in-memory platform allowing users to run real-time reports on operational and financial data. The production implementation of S/4HANA was completed in February of 2025 after completing Quality Assurance (QA) testing, User Acceptance Testing (UAT), user training, and mock implementation. FIET implementation ensures FMS is the pinnacle for financial management services and provides unparalleled support to USDA agencies and staff offices.

Government Invoicing (G-Invoicing)

The U.S. Department of the Treasury mandated G-Invoicing for all federal agencies, replacing the old Intra-Governmental Payment and Collection (IPAC) process for intra-governmental (IGT) buy/sell transactions with a full transition to the G-Invoicing platform required by October 1, 2025. FMS implemented a solution that included G-Invoicing integration using SAP-delivered functionality. This government-wide initiative aims to streamline processes, improve data quality, and facilitate financial management by providing a common platform for creating, approving, and tracking Interagency Agreements (IAAs) and orders between federal entities. Implementing the G-Invoicing solution will encourage better communication between trading partners, allowing them to share a common platform and a formal record for their negotiations. In addition, the solution will provide performance reporting for USDA and trading partners, allowing for quick and efficient settlements of funds for services.

Budget and Spend (BAS)

FMS implemented Budget and Spend (BAS), which is a new budget planning and forecasting solution for USDA. BAS is a Commercial-Off-The-Shelf (COTS) solution using BEYONDData's Chief Financial Officer (CFO) Control Tower within SAP Analytics Cloud (SAC). Since the SAP Business Warehouse (BW) Integrated Planning (BW-IP) tool used for USDA's legacy applications Budget Status and Forecasting (BSF) and Allotment Management and Planning (AMP) was being phased out with migrations to BW4/HANA, a replacement solution was required. The BAS enterprise budget solution helps USDA agencies improve and automate planning and forecasting, consolidate financial reporting requirements, and allotment planning and approval. Dashboard views and the ability to upload excel documents have allowed agency users quicker access to decision making with one solution. In addition, customers can combine FMMI data with data from other systems to see all projections immediately. Implementing BAS also enabled FMS to sunset BW, which served to simplify the FMMI infrastructure and realize cost savings of approximately \$1.6 million annually.

Corporate Property Automated Information System (CPAIS) Application Express (APEX) Redesign

FMS successfully implemented a new front-end user interface for the Corporate Automated Information Systems (CPAIS) Real Property and CPAIS Personal Property using Oracle Application Express (APEX). CPAIS Real Property and CPAIS Personal Property were developed using Oracle Forms and Reports technology. Vendor support for the version of Oracle Forms and Reports technology used by CPAIS will end in December 2026 and will not include Oracle Reports. The transition to Oracle APEX removed an antiquated software dependency on the customer's laptop/workstation and moved CPAIS to a newer, supported technology. Training for CPAIS Real Property and CPAIS Personal Property was developed and presented to over 200 agency users prior to implementation. Without redesigning the CPAIS front-end user interface, we risk being unable to support the CPAIS applications until they are replaced by another system.

Cloud Service Provider (CSP) Migration

Virtustream (now part of Dell Technologies), the current cloud service provider for USDA's corporate financial and administrative systems, will shut down its federal data center after December of 2025. Consequently, FMS analyzed the options for migrating the infrastructure to alternative hosting service providers, weighing both cost and risk in the assessment. As part of the decision to migrate to the USDA department solution, namely AgCloud Managed Platform Services (AMPS), FMS will benefit from a solution that is scalable, cost effective, future proof, and provides better performance. Impediments were addressed by establishing a proof-of-concept environment to ensure the solution was viable. All non-production environments for all corporate financial and administrative systems have been migrated to AMPS with the production environments planned for migration in November 2025 after the completion of year-end activities. As a result of this decision to migrate to AMPS, FMS is projecting to realize more than 50% in cost savings (over \$3 million per year) when fully implemented.

Compliance Plan for Executive Orders (EOs) 14249 and 14247

On March 25, 2025, President Trump signed EO 14249 and EO 14247, which required the heads of all agencies to submit a compliance plan to the OMB Director within 90 days of the date of the orders detailing their strategy for compliance with the EOs. FMS developed the compliance plan for USDA, which involved coordinating with several USDA agencies to ensure a comprehensive compliance plan for the department. FMS initiated the implementation of the compliance plan, which included the elimination of paper check disbursements and receipts (requesting waivers where required), implementation and compliance of payment verification, analysis of pre-certification requirements to identify gaps, initiation of the onboarding process for Treasury's Do Not Pay (DNP) and Account Verification Service (AVS), evaluation of FMS's current payment and validation process, and concept planning of financial management systems consolidation. These efforts will serve to protect America's bank account against fraud, waste, and abuse and modernize payments to and from America's bank account, which satisfy the intent of the EOs.

Statement on Standards for Attestation Engagements (SSAE) System and Organization Controls (SOC) I Examination

FMS conducted a SOC 1 type 2 examination of the FMS financial systems in accordance with SSAE 18, as amended, and issued a report with an unmodified (clean) opinion. FMS provided complete and timely evidence to the audit team in satisfaction of testing criteria of the system controls. FMS provided the auditors with artifacts such as documentation of procedures, populated and sampled data, and system user activity. FMS achieved a 100 percent submission rate of all requested provided by client (PBC) items. FMS supported all walkthroughs and requests for documentation to achieve 100 percent of the audit control objectives contributing to the successful completion of the examination with a favorable auditor's opinion. Receiving a clean opinion provides FMS customers and stakeholders assurance of our processes and confidence in our fiduciary responsibilities in support of USDA's mission.

Grants Management

The ezFedGrants (eFG) system manages grants online throughout a grant's life cycle. Grant-seeking organizations use the eFG external portal to view and apply for grant award opportunities, view grant award package documents, and submit claims and reports. The eFG program provides servicing grants to organizations such as educational institutions and research organizations.

OCFO FMS is the eFG system owner whose mission is to provide guidance and leadership in program management, governance, grants and agreements policy, and Information Technology (IT) related to the eFG community. The enterprise grants and agreements management solution encompass five USDA agencies and one staff office and includes more than 50 Financial Assistance Listings (AL) while transforming USDA's grants and agreements capabilities. The eFG system supports various federal initiatives, such as homeownership opportunities to low- and moderate-income rural Americans, organic agriculture, and several other grant and agreement-related programs to serve the American public.

In FY 2025, eFG initiatives:

- The ezFedGrants external portal runs using Pega and was upgraded from version 8.7 to 24.1. The upgrade enabled security updates, and the next external portal upgrade will be required in April 2027.
- Provided system training to 2,278 internal and external users on eFG. In FY 2025, the eFG system had 8,214 users (6,489 public facing users and 1,725 internal agency users) log into the system.
- Continued to maintain a robust user education site, WikiGrants, as an internal repository of eFG-related materials—such as user guides, training modules, and frequently asked questions — and in FY 2025, received 1,960 unique visitors. The external website for eFG received an average of 12,052 site visits per month in FY 2025.
- Deployed 1,959 new FY 2025 agreements. During the life of the eFG system, users have deployed 35,082 agreements and 8,875 are active or in draft status.
- Resolved 3,797 tickets (3,031 Tier 1 and 766 Tier 2) through the OCFO eFG Helpdesk as a first responder to customer inquiries.
- Resolved 24 ezFedGrants system incidents (12 system defects and 12 enhancements) in FY 2025 via the eFG Post-Production Support Team. Additionally, as of September 10, 2025, the eFG Post-Production Support team resolved 818 priority one-time system fixes in FY 2025.

Contract and Lease Management (CLM)

The Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards (SFFAS) 54 introducing a new model for lease accounting with a mandated implementation date of October 1, 2023. USDA received an extension to implement by October 1, 2024. SFFAS 54 addresses lease accounting standards by both lessees and lessors. For financial reporting purposes, all lease transactions must comply with SFFAS 54. FMS selected the SAP CLM module as USDA's enterprise-wide financial system solution. FMS completed the SAP CLM implementation in FY 2024, successfully importing the framework code for right-to-use and long-term leases into FMMI. However, the Office of the Inspector General (OIG) determined that USDA was not in full compliance with SFFAS 54 because not all lease contracts were uploaded into SAP CLM by October 1, 2024. Because of the significant effort associated with the amount of Farm Production and Conservation (FPAC) contract leases missing in SAP CLM, FMS supported FPAC to load the remaining contract leases. FMS analyzed, tested, and loaded 1,800 FPAC lease contracts in 25 separate batches into SAP CLM module in FMMI in FY 2025. In addition, FMS provided a solution to correct over 300 duplicate payments associated with the FPAC lease contracts. The actions taken by FMS directly improved USDA's compliance status with SFFAS 54.

Other Initiatives

Miscellaneous Income (MINC) Redesign

MINC is the USDA corporate mixed system used to calculate, process, manage and report on all the Department's financial transactions (i.e., payments) associated with the reporting of 1099 data to taxpayers and the Internal Revenue Service (IRS). These transactions include the reporting of payments for interest, grants and miscellaneous income. FMS implemented Phase 1 of the MINC Redesign project, which focused on incorporating the functionality of several Microsoft Access databases into MINC. MINC is now the centralized solution for vendor payment analysis as all related inquiries, corrections, returned mail, and metrics have been consolidated into MINC. Implementing the MINC Redesign Phase 1 functionality will serve to reduce the number of returned documents, expedite response time to inquiries, sunset related Microsoft Access databases, and protect Personally Identifiable Information (PII) data. Phase 2 of the MINC Redesign project, which incorporates additional enhancements, is projected to be implemented in November of 2025.

Adobe Forms Redesign

FMS redesigned and implemented new forms for the Balance Voucher Adjustment System (BVAS) and Miscellaneous Obligation Submission Tool (MOST) applications using WebDynpro. Since Adobe Interactive Forms technology was no longer available in S/4HANA, BVAS and MOST (used exclusively by Forest Service) had to be redesigned with all the same features and functionality prior to the S/4HANA implementation. FMS faced development obstacles with replicating the functionality in WebDynpro prior to the S/4HANA implementation but were able to overcome these challenges to ensure capability was not lost during the S/4HANA implementation. Redesigning BVAS and MOST in WebDynpro provided a technology that was future-proof (as many SAP Fiori applications are built on WebDynpro) and ensured that critical functionality remained available for Forest Service users.

ServiceNow Inbound Email Automation

FMS implemented a new inbound email automation with ServiceNow for managing help desk-related emails received from FMS customers. This new process uses information provided by the customer's email to automatically create a ServiceNow ticket on behalf of the user. By implementing ServiceNow inbound email automation, FMS can achieve a more streamlined and efficient process for handling help desk inquiries in ServiceNow received from our customers. It will also increase the response rate by creating tickets immediately, which will result in faster triage, assignment, and closure.



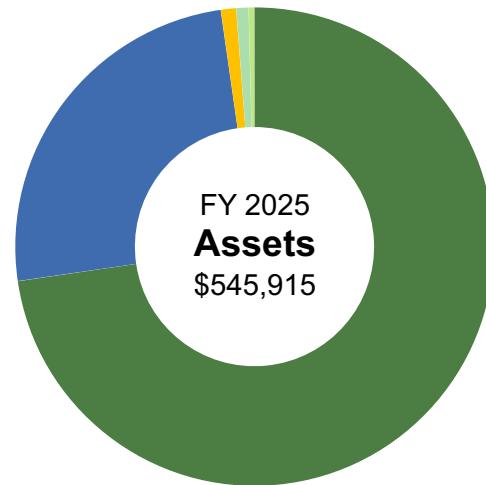
Analysis of Financial Statements

Analysis of Assets

Total assets for FY 2025 were \$545,915 million.

Exhibit 7: Total Assets (\$ in millions)

- Fund Balance with Treasury \$396,915
- Loans Receivables, Net \$136,738
- Property, Plant and Equipment, Net \$5,636
- Accounts Receivable, Net \$4,539
- Investments, Net, Advances and Prepayments, Cash and Other Monetary, Commodity Loans, Net, Negative Liability for Loan Guarantees, Inventory and Related Property, Net, and Other \$2,087



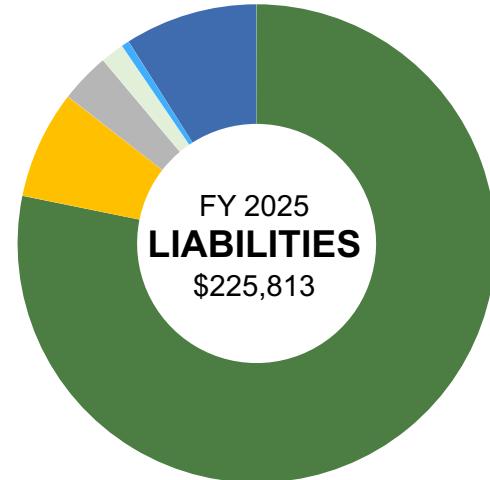
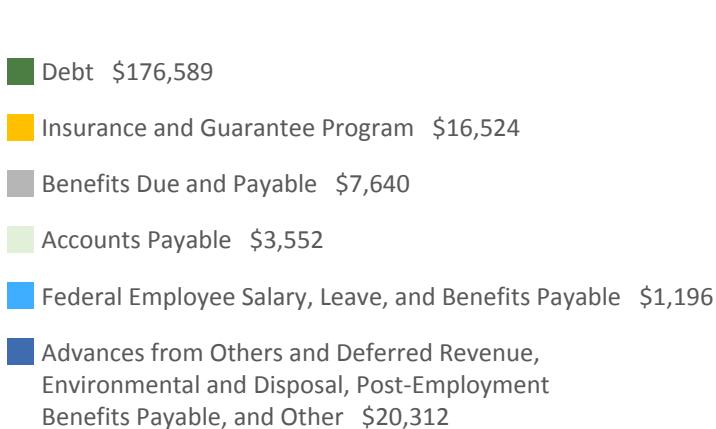
Assets (\$ in million)	FY 2025
Fund Balance with Treasury	\$396,915
Loans Receivable, Net	136,738
Property, Plant and Equipment, Net	5,636
Accounts Receivable, Net	4,539
Investments, Net, Advances and Prepayments, Cash and Other Monetary, Commodity Loans, Net, Negative Liability for Loan Guarantees, Inventory and Related Property, Net, and Other	2,087
Total Assets	\$545,915

Loans Receivable, Net is one of the largest assets on the USDA Balance Sheet. RD offers both direct and guaranteed loan products for rural housing and rural business infrastructure. These products represent 85 percent of the total Department loan programs. Loan programs administered by the FSA represent 13 percent of the total. FSA supports farmers who are temporarily unable to obtain private, commercial credit. The remaining 2 percent represents commodity loans and credit programs administered by CCC. These loans are used to improve economic stability and provide an adequate supply of agricultural commodities. CCC credit programs provide international food assistance, expand international markets, and provide domestic low-cost financing to protect farm income and prices.

Analysis of Liabilities

Total liabilities for FY 2025 were \$225,813 million.

Exhibit 8: Total Liabilities (\$ in millions)



Liabilities (\$ in millions)	FY 2025
Debt	\$176,589
Insurance and Guarantee Program	16,524
Benefits Due and Payable	7,640
Accounts Payable	3,552
Federal Employee Salary, Leave, and Benefits Payable	1,196
Advances from Others and Deferred Revenue, Environmental and Disposal, Post-Employment Benefits Payable, and Other	20,312
Total Liabilities	\$225,813

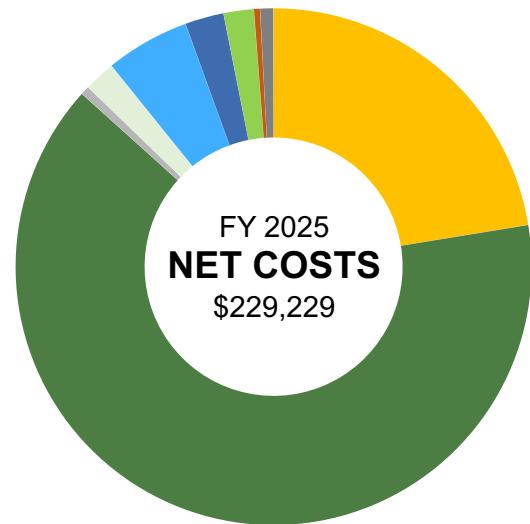
Debt is the single largest liability on USDA's balance sheet. It represents amounts owed primarily to Treasury by CCC, FSA and RD. For RD, the debt primarily represents financing to support electric and housing loan programs which represent 70 percent of the total debt. For CCC, the debt primarily represents financing for price support, export credit guarantees, disaster programs and loans related to farm storage facilities which represent 16 percent of the total debt. For FSA, the debt primarily represents financing to support direct and guaranteed loan programs, with the majority supporting operating, ownership, and emergency loans which represent 14 percent of the total debt.

Analysis of Net Cost

Net cost for FY 2025 was \$229,229 million.

Exhibit 9: Net Costs by Mission Area (\$ in millions)

■ Farm Production and Conservation	\$51,403
■ Food, Nutrition, and Consumer Services	\$147,270
■ Food Safety	\$1,300
■ Marketing and Regulatory Programs	\$4,477
■ Natural Resources and Environment	\$12,076
■ Rural Development	\$5,589
■ Research, Education and Economics	\$4,329
■ Trade and Foreign Agricultural Affairs	\$857
■ Staff Offices	\$1,928



Net Cost (\$ in millions)	FY 2025
Farm Production and Conservation	\$51,403
Food, Nutrition, and Consumer Services	147,270
Food Safety	1,300
Marketing and Regulatory Programs	4,477
Natural Resources and Environment	12,076
Rural Development	5,589
Research, Education and Economics	4,329
Trade and Foreign Agricultural Affairs	857
Staff Offices	1,928
Net Cost by Mission Area	\$229,229

Analysis of Net Position

Net Position is comprised of unexpended appropriations and cumulative results of operations.

Exhibit 10: Net Position (\$ in millions)

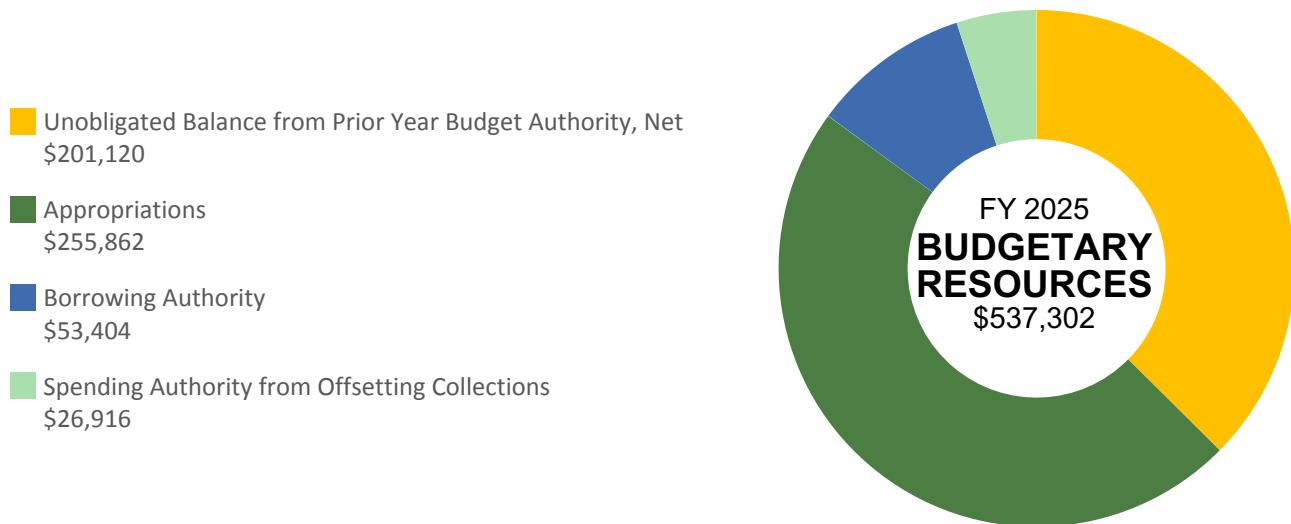
Net Position (\$ in millions)	FY 2025
Unexpended Appropriations	\$236,590
Cumulative Results of Operations	83,512
Net Position	\$320,102

Analysis of Budgetary Resources

USDA receives most of its funding from appropriations authorized by Congress and administered by the U.S. Department of the Treasury. Total budgetary resources consist of the balance at the beginning of the year, appropriations received during the year, borrowing authority, and spending authority from offsetting collections.

Total budgetary resources were \$537,302 million for FY 2025.

Exhibit 11: Budgetary Resources (\$ in millions)



Budgetary Resources (\$ in millions)	FY 2025
Unobligated Balance from Prior Year Budget Authority, Net	\$201,120
Appropriations	255,862
Borrowing Authority	53,404
Spending Authority from Offsetting Collections	26,916
Total Budgetary Resources	\$537,302
New Obligations and Upward Adjustments	320,103
Unobligated Balance, End of Year	217,199
Status of Budgetary Resources	\$537,302

Limitations of Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S. Code (U.S.C.) § 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.



Category	January			February			March			April			May			June			July			August			September			October			November			December			Year to Date		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance						
Revenue																																							
Sales																																							
Salaries and wages																																							
Commissions																																							
Advertising																																							
Depreciation																																							
Total selling expenses																																							
General/Administrative																																							
Salaries and wages																																							
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Forward Looking Information

The purpose of this section is to reflect on known and anticipated risks, uncertainties, future events or conditions, and trends that could significantly affect the Department's future financial position, condition, or operating performance. Farmers and ranchers operate in highly competitive markets, both domestically and internationally. Rapid shifts in consumer demands associated with quality, convenience, taste, and nutrition dictate that farming, ranching, and marketing infrastructures become more fluid and responsive. National security is a significant, ongoing priority for USDA. The Department's science research, education, and extension services will continue to be the foundation for understanding developments and making advances in solving agricultural and societal challenges. USDA is working with the U.S. Department of Homeland Security to help protect agriculture from intentional and accidental acts that may impact America's food supply or natural resources.

External Factors that Challenge USDA's Ability to Achieve its Goals

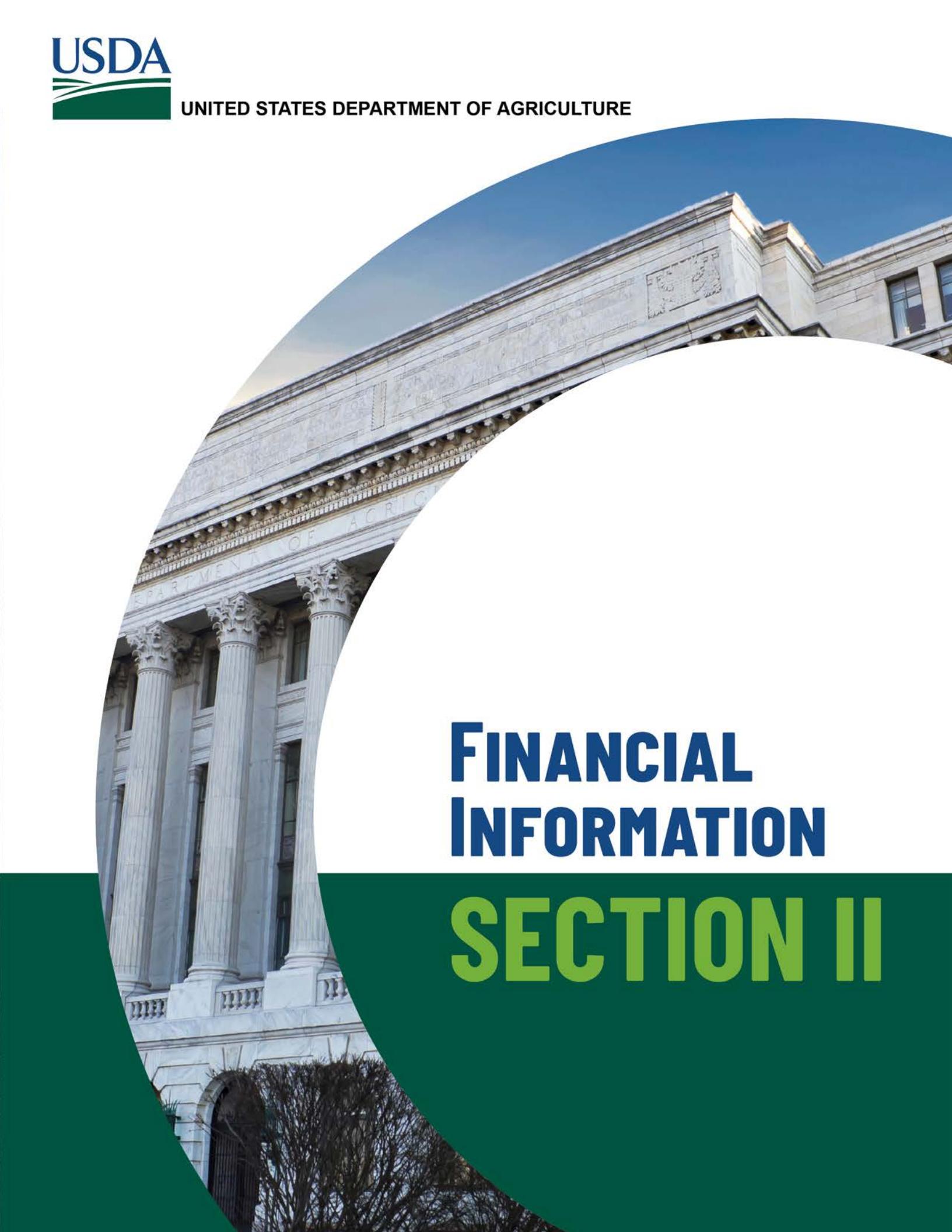
- a. Operational complications in information technology and management;
- b. Record-breaking wildfires and other weather-related hardships, including disasters and the expanding number of communities in the wildland-urban interface, both domestically and internationally;
- c. Non-weather-related hardships and other uncontrollable events, both domestically and internationally;
- d. Domestic and international macroeconomic factors, including inflation, consumer purchasing power, the strength of the U.S. dollar, and political changes abroad that could impact domestic and global markets significantly at any time;
- e. Sharp fluctuations in farm prices, interest rates, and unemployment that could impact the ability of farmers, other rural residents, communities, and businesses to qualify for credit and manage debt;
- f. The increased movement of people and goods, which provides the opportunity for crop and animal pests and diseases to move quickly across domestic and international boundaries; and
- g. The ability of the public and private sectors to collaborate effectively on food safety, security, and related emergency preparedness efforts.



Mitigation Strategies

USDA continued to make progress in FY 2025 toward mitigating known and anticipated risks and uncertainties. Once USDA has developed the FY 2026-2030 Strategic Plan, the Department will conduct a new risk assessment to identify risks that could impact its ability to accomplish the new strategic goals and objectives, including external factors, through its Enterprise Risk Management (ERM) program. ERM provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that provides better insight about how to most effectively prioritize and manage risks to mission delivery. ERM supports the Department's ability to articulate risks, align and allocate resources, and proactively discuss management and mitigation strategies and activities to better equip the Department to deliver on its goals and objectives and potentially improve stakeholder confidence and trust. Specifically, the Department has led large-scale efforts across mission areas and staff offices to identify the top enterprise risks, risk drivers, mitigation strategies, and key risk indicators. USDA will continue the ERM program in FY 2026, with periodic updates to the Deputy Secretary during Quarterly Strategic Reviews.



A large, white, neoclassical building with a prominent portico of Corinthian columns. The words "DEPARTMENT OF AGRICULTURE" are engraved on the facade above the entrance. The building is set against a clear blue sky.

FINANCIAL INFORMATION

SECTION II



Message from the Office of the Chief Financial Officer

Dear Valued Stakeholders,

I am pleased to present the U.S. Department of Agriculture's (USDA's) Agency Financial Report for Fiscal Year 2025. This year's report highlights USDA's continued progress in strengthening financial stewardship, enhancing transparency, and advancing the Department's mission of supporting American agriculture, promoting food and nutrition security, and improving the quality of life in rural communities. Our commitment to excellence in financial management remains unwavering as we work to ensure that every taxpayer dollar is used responsibly, efficiently, and in direct support of USDA's strategic goals.

Throughout Fiscal Year (FY) 2025, USDA continued to navigate an evolving operating environment while maintaining a strong focus on accountability, cost-effectiveness, and program integrity. We advanced initiatives designed to reduce fraud, waste, and abuse, strengthen internal controls, and improve the accuracy and reliability of financial reporting across the Department. These efforts reflect our determination to deliver exceptional value to the public while honoring our responsibility as stewards of federal resources.

FY 2025 also marked a significant milestone in financial modernization, as we successfully implemented the upgraded S/4 HANA financial management system. This accomplishment represents one of the most transformative enhancements to USDA's financial operations in over a decade. The transition positions the Department to provide a more seamless customer experience, increase automation, enhance data analytics, and accelerate real-time, data-driven decision-making. These advancements will empower program leaders, budget officials, and financial professionals to better support USDA's mission through improved transparency and operational efficiency.

As part of our commitment to continuous improvement, we conducted rigorous assessments of our financial operations, internal controls, and program oversight activities. We acknowledge areas where improvement is still needed, including ongoing remediation associated with prior-year findings and targeted enhancements to program compliance. We remain fully committed to implementing corrective actions, strengthening oversight, and building safeguards that prevent recurrence. Our approach reflects USDA's long-standing dedication not only to meeting federal requirements but to setting a standard of excellence across government.

USDA managed substantial resources again this fiscal year, supporting mission-critical programs that serve farmers, families, and communities nationwide. We continue to see strong performance in closing GAO and OIG recommendations, sustaining implementation rates that meet or exceed government-wide benchmarks. These results underscore the Department's proactive posture in addressing risks, advancing accountability, and reinforcing the integrity of our operations. Looking ahead, the USDA will continue to invest in modernization, financial resiliency, and operational efficiency. Our priorities for FY 2026 include strengthening cybersecurity and data governance, optimizing financial business processes, and advancing the President's Management Agenda priorities of eliminating waste, ensuring accountability and delivering results. We remain dedicated to managing resources with discipline, foresight, and an unwavering commitment to delivering high-quality services to the American public.

I extend my heartfelt appreciation to USDA's employees, partners, and stakeholders whose dedication, expertise, and collaboration make our progress possible. Your commitment to excellence enables the Department to uphold its mission and deliver meaningful impact across the nation. Thank you for your continued trust and support in USDA's work. Together, we remain focused on strengthening public confidence, advancing American agriculture, and building a more sustainable and resilient future.



Lynn Moaney
Deputy Chief Financial Officer
U.S. Department of Agriculture

January 27, 2026

Independent Auditors Report



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: January 27, 2026

AUDIT

NUMBER: 50401-0024-11

TO: Lynn Moaney
Deputy Chief Financial Officer
Office of the Chief Financial Officer

ATTN: John Yun
Senior Advisor
Agency Audit Liaison Official

FROM: Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit

SUBJECT: USDA's Consolidated Financial Statements for Fiscal Year 2025

YARISIS
RIVERA ROJAS

Digital signature by
YARISIS RIVERA ROJAS
Date: 2026.01.27
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This report presents the results of our audit of the United States Department of Agriculture's (USDA) consolidated financial statements for the fiscal year ending September 30, 2025. The associated consolidated financial statements are presented in [USDA's Agency Financial Report](#). This report contains a qualified opinion on the consolidated financial statements, as well as the results of our assessments of USDA's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety in Exhibit A. Based on your written response, we are accepting management decision and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<https://usdaioig.oversight.gov>) in the near future.

Independent Auditor's Report

Lynn Moaney
Deputy Chief Financial Officer
Office of the Chief Financial Officer

In our audit of the fiscal year (FY) 2025 consolidated financial statements of the U.S. Department of Agriculture (USDA), we found:

- except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, USDA's consolidated financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects in accordance with United States of America (U.S.) generally accepted accounting principles;
- two material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), the Antideficiency Act (ADA), and the Payment Integrity Information Act of 2019 (PIIA).

The following sections discuss in more detail (1) our report on the consolidated financial statements, which includes an other-matter paragraph related to interactive data, a section on the required supplementary information (RSI), and a section on other information included with the consolidated financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) management's response.

Report on the Consolidated Financial Statements

Qualified Opinion

We have audited the USDA's consolidated financial statements. USDA's financial statements comprise the consolidated balance sheet as of September 30, 2025; and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources for the fiscal year then ended and the related notes to the consolidated financial statements (hereinafter referred to as the "consolidated financial statements").

In our opinion, except for the effects on the FY 2025 consolidated financial statements as described in the Basis for Qualified Opinion section of our report, USDA's consolidated financial statements present fairly, in all material respects, USDA's financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended, in accordance with U.S. generally accepted accounting principles.

AUDIT REPORT 50401-0024-11

Basis for Qualified Opinion

In September 2023, USDA changed the obligation recognition point for SNAP benefits. In using the current process, USDA paid more than \$8.5 billion of fiscal year 2025 expenses using the one-year 2024 appropriation and recorded an \$8.8 billion obligation in September 2025 to cover October 2025 (fiscal year 2026) benefits. As a result, the “New Obligations and Upward Adjustments (Total)”, “Apportioned, Unexpired Accounts”, “Expired Unobligated Balance, End of Year”, and “Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)” lines in the FY 2025 Combined Statements of Budgetary Resources are misstated as is the disclosure for “Undelivered Order at the End of the Period” in the footnote “Statement of Budgetary Resources.” Therefore, USDA’s reporting of the SNAP benefits was not in compliance with U.S. generally accepted accounting principles.

We conducted our audit in accordance with U.S. generally accepted government auditing standards, the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be an independent and objective unit of USDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the FY 2025 Agency Financial Report (AFR) to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting RSI in accordance with U.S. generally accepted accounting principles;

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- preparing and presenting other information included in USDA's AFR, and ensuring the consistency of that information with the audited consolidated financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to our audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USDA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the consolidated financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by FASAB require that the RSI¹ be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the consolidated financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during the audit of the consolidated financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. In addition, we performed limited procedures on the reporting of government land acreage included in the RSI in accordance with OMB Bulletin 24-02. We did not audit and we do not express an opinion or provide any assurances on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Management has omitted its performance measures and results that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The auditor's opinion on the basic financial statements is not affected by the missing information.

Other Information

USDA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for the purpose of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in USDA's AFR. The other information comprises the following sections: Table of Contents, Message from the Secretary, Other Information, and Abbreviations-Acronyms, and Non-Discrimination Statement. Other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

¹ The RSI consists of Management's Discussion and Analysis (MD&A), Deferred Maintenance and Repairs, the Combining Statement of Budgetary Resources, and Land which are included with the financial statements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In connection with our audit of USDA's consolidated financial statements, we considered USDA's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control² that might be material weaknesses³ or significant deficiencies⁴ or to express an opinion on the effectiveness of USDA's internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. Given these limitations, during our audit, we identified deficiencies in overall SNAP financial management and the information technology (IT) security program, described in Section 1, Finding 1 and Finding 2, that we consider to be material weaknesses. However, additional material weaknesses or significant deficiencies may exist that have not been identified.

In addition to the two material weaknesses, we also identified other deficiencies in USDA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant USDA management's attention. We have communicated these matters to USDA management.

We performed our procedures related to USDA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02.

USDA management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

² A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

³ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

⁴ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In planning and performing our audit of USDA's consolidated financial statements as of and for the fiscal year ended September 30, 2025, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02, we considered USDA's internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of USDA's internal control over financial reporting. Accordingly, we do not express an opinion on USDA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of USDA's consolidated financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to USDA. Accordingly, we do not express such an opinion.

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

USDA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to USDA.

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to USDA that have a direct effect on the determination of material amounts and disclosures in USDA's consolidated financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to USDA. We caution that noncompliance may occur and not be detected by these tests.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed instances of noncompliance for FY 2025 that are reportable under U.S. generally accepted auditing standards or OMB Bulletin No. 24-02.

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Federal Financial Management Improvement Act of 1996

We also performed tests of USDA's compliance with certain provisions referred to in Section 803(a) of FFMIA.⁵ Providing an opinion on compliance with FFMIA was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed instances, described in more detail in Section 2 of this report, where USDA was not substantially compliant with Federal financial management system requirements and the U.S. Standard General Ledger (USSGL) at the transaction level.

Antideficiency Act

Title 31 U.S. Code (U.S.C.) §1517(a) states that an officer or an employee of the United States Government may not make or authorize an expenditure or obligation exceeding an apportionment or an amount permitted by regulations as prescribed by Title 31 U.S.C. § 1514(a). For FY 2025, the Department reported five confirmed⁶ and one potential ADA violations in the AFR.

Payment Integrity Information Act of 2019

During FY 2025, we found that the USDA was not compliant with four of the six PIIA⁷ requirements for FY 2024. Specifically, 7 of the 12 reporting Phase 2 programs did not fully comply with PIIA requirements. These programs did not meet one or more requirements, including reporting an improper payment rate below 10-percent, demonstrating improvement towards payment integrity, publishing a complete improper payment estimate, or properly identifying root causes of improper payments.⁸

Purpose of the Report on Internal Control Over Financial Reporting and the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the “Report on Internal Control Over Financial Reporting” and the “Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements” sections is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of USDA’s internal control over financial reporting or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02 in considering USDA’s internal control over financial reporting and compliance. Accordingly, these reports are not suitable for any other purpose.

⁵ Federal Financial Management Improvement Act of 1996, Pub. L. No. 104-208, 110 Stat. 3009.

⁶ Of the three confirmed ADA violations, two have been reported to the President and Congress and three are pending submission.

⁷ Payment Integrity Information Act of 2019, Pub. L. No. 116-117, 134 Stat. 113.

⁸ Audit Report 50024-0016-11, *USDA’s Compliance with Improper Payment Requirements for Fiscal Year 2024*, May 2025.

Management's Response

Management's response to the report is presented in Exhibit A. USDA's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly we express no opinion on the response.

YARISIS 
RIVERA ROJAS

Digitally signed by
YARISIS RIVERA ROJAS
Date: 2026.01.27
15.50.36 -05'00'

Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit
Washington, D.C.
January 27, 2026

AUDIT REPORT 50401-0024-11

Section 1: Material Weakness in Internal Control Over Financial Reporting

Finding 1: Improvements are Needed in Overall SNAP Funds Management

The material weakness in this finding relates to the Supplemental Nutrition Assistance Program (SNAP) administered by the Food and Nutrition Service (FNS).

Criteria

The Food and Nutrition Act of 2008 (FNA), as amended,⁹ requires SNAP benefits to be paid to eligible households based on a prescribed formula. The payment of SNAP benefits is subject to the availability of appropriations.¹⁰ Additionally, “[i]n any fiscal year, the Secretary shall limit the value of those allotments issued to an amount not in excess of the appropriation for such fiscal year.”¹¹

OMB Circular No. A-136, *Financial Reporting Requirements*, states, “Reporting entities must comply with [Generally Accepted Accounting Principles] for Federal entities and the requirements of this Circular.”¹²

Per paragraph 78 of the Statement of Federal Financial Accounting Standards 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, “recognition and measurement of budgetary resources should be based on budget concepts and definitions contained in OMB Circulars A-11 and A-34.”¹³

OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, requires obligations incurred to conform to applicable provisions of law and amounts reported must be supported by the documentary evidence required by 31 U.S.C. § 1501. “For . . . fixed charges with formulas in law that automatically fix the amount of the charges, record the amount determined by the formula or, if there is an appropriation, then record the amount appropriated, whichever is smaller.”

31 U.S.C. § 1502(a) states, “The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability . . . and obligated consistent with [31 U.S.C. § 1501]. However, the appropriation or

⁹ Pub. Law No. 88-525, 78 Stat. 703, as amended through Pub. Law No. 119-21, 139 Stat. 72, (July 4, 2025), and codified at 7 U.S.C. § 2011, *et seq.*

¹⁰ 7 U.S.C. §§ 2013(a), 2014(a), 2017, and 2027(b).

¹¹ 7 U.S.C. § 2027(b). The FNA defines “allotment” as “the total value of benefits a household is authorized to receive during each month.” *Id.* § 2012(b); *see also* 7 C.F.R. § 271.2 (“Definitions”).

¹² The FASAB Handbook of Federal Accounting Standards and Other Pronouncements, as Amended (“FASAB Handbook”) contains the body of accounting concepts and standards for the U.S. Government.

¹³ OMB Circular No. A-34 was rescinded on June 27, 2002, and superseded by OMB Circular No. A-11, Part 4 (Aug. 2025).

fund is not available for expenditure for a period beyond the period otherwise authorized by law.”

Material Weakness

In September 2023, USDA changed the obligation recognition point for SNAP benefits. USDA historically recorded an obligation when SNAP Electronic Benefit Transfer (EBT) benefits became available to the program beneficiaries to spend – i.e., the benefit “effective date.” The current process records the obligation of funds for SNAP benefits at the point at which USDA authorizes States to issue SNAP benefits. As a result, USDA changed the method of implementing accounting principles and moved from an entirely automated process for recording SNAP obligations and disbursements for the 53 SNAP EBT States and territories to a labor-intensive manual process with increased risk. We found that in applying the current process, USDA:

- paid more than \$8.5 billion of fiscal year 2025 expenses using the one-year 2024 appropriation because USDA obligated fiscal year 2024 funds in September 2024 for benefits spent in October 2024.¹⁴
- recorded an \$8.8 billion obligation in September 2025 to cover October 2025 (fiscal year 2026) benefits using the one-year fiscal year 2025 appropriation.¹⁵

We concluded that more than \$8.5 billion of SNAP expenses were paid from the wrong appropriation. Further, \$8.8 billion in SNAP obligation should not have been recorded since the point of obligation for SNAP benefits is when appropriations for such payments have been enacted and are available for obligation. Therefore, we determined that USDA’s reporting of SNAP benefits was not in compliance with U.S. generally accepted accounting principles. As a result, SNAP benefit obligations were misstated in the Statement of Budgetary Resources and expenses were inappropriately recorded. FNS is responsible for ensuring obligations and expenses conform with relevant laws and guidance.

Recommendation 1:

Document the process for recognizing and recording SNAP obligations and expenses.

Management’s Response:

USDA stated that they will continue with actions planned and in progress to address the finding.

¹⁴ USDA used FY 2024 appropriation to pay FY 2025 expenses because October crosses into a new fiscal year.

¹⁵ *Full-Year Continuing Appropriations and Extensions Act, 2025*, Pub. Law No. 119-4, div. A, tit. I, § 1101(a), 139 Stat. 9, 10; *Consolidated Appropriations Act, 2024*, Pub. Law No. 118-42, div. B, tit. IV, 138 Stat. 25, 93.

OIG Position:

We accept management decision for this recommendation. To reach final action, we will work with USDA on the actions planned.

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Finding 2: Improvements are Needed in Overall Information Technology Security Program

As required by the Federal Information Security Modernization Act of 2014 (FISMA),¹⁶ OIG reviewed USDA's ongoing efforts to improve its IT security program and practices during FY 2025. USDA has worked diligently to improve its security posture, with the maturity level rising from the previous year.

OMB establishes standards for an effective level of security and considers level 4, "Managed and Measurable," to be sufficient. We found USDA's maturity level to be at level 4, which is effective according to OMB's criteria. However, weaknesses still exist, specifically with Configuration Management at level 2, "Defined".¹⁷ OIG made 11 new recommendations to address 6 identified deficiencies within USDA's information security program.

The Office of the Chief Information Officer generally concurred with the findings and recommendations in the report.¹⁸

¹⁶ Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283, 128 Stat. 3073.

¹⁷ Level 2 "Defined" is described as policies, procedures, and strategy that are formalized and documented but not consistently implemented.

¹⁸ Audit Report 50503-0014-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2025 Federal Information Security Modernization Act*, July 2025.

Section 2: Noncompliance with Laws and Regulations

Finding 3: Lack of Substantial Compliance with FFMIA Requirements

FFMIA requires agencies to annually assess whether their financial management systems comply substantially with (1) Federal financial management system requirements, (2) applicable Federal accounting standards, and (3) the USSGL at the transaction level. FFMIA also requires auditors to report in their Chief Financial Officer Act financial statement audit reports whether financial management systems substantially comply with FFMIA's system requirements. In addition, deficiencies are a component of FFMIA compliance.

During FY 2025, USDA evaluated its financial management systems to assess compliance with FFMIA. USDA reported that it is not compliant with Federal financial management system requirements and the USSGL at the transaction level. As noted in its MD&A, USDA agencies continue working to meet FFMIA and FISMA objectives.

Specifically, in its FFMIA and Federal Managers' Financial Integrity Act Report on Management Control, the Department reported continued weaknesses in IT configuration that result in noncompliance with the FISMA requirement. See Finding 2 of this report for more details.

Additionally, in its FFMIA report, the Department noted noncompliance by the Commodity Credit Corporation where the financial management systems did not record certain obligations and accruals at the transaction level in accordance with the USSGL.

Due to planned actions, we are making no further recommendations in this report.

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Abbreviations

ADA	Antideficiency Act
AFR	Agency Financial Report
EBT	Electronic Benefits Transfer
FASAB	Federal Accounting Standards Advisory Board
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Modernization Act of 2014
FNS	Food and Nutrition Service
FY	fiscal year
FS	Forest Service
GAO	U.S. Government Accountability Office
IT	information technology
MD&A	Management's Discussion and Analysis
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
RSI	required supplementary information
SFFAS	Statement of Federal Financial Accounting Standards
SNAP	Supplemental Nutrition Assistance Program
U.S.	United States of America
U.S.C.	U.S. Code
USSGL	U.S. Standard General Ledger
USDA	U.S. Department of Agriculture

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Exhibit A: Management's Response

**Management's Response
to the Audit Report**

AUDIT REPORT 50401-0024-11



United States
Department of
Agriculture

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

January 26, 2026

TO: Ms. Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit
Office of Inspector General

FROM: Lynn Moaney /S/
Deputy Chief Financial Officer

SUBJECT: U.S. Department of Agriculture's Financial Statements for Fiscal
Year 2025

The Department is pleased to respond to your audit report on the financial statements for Fiscal Year 2025.

We concur with the findings in the report. We will continue with actions planned and in progress to address the findings.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contract auditors during the audit.

AN EQUAL OPPORTUNITY EMPLOYER

Financial Statements

Consolidated Balance Sheet

As of September 30, 2025 (\$ in millions)

	FY 2025
Assets	
Intragovernmental Assets	
Fund Balance with Treasury (Note 3)	\$ 396,915
Investments, Net (Note 5)	417
Accounts Receivable, Net (Note 6)	914
Advances and Prepayments	130
Other Assets (Note 11)	8
Total Intragovernmental Assets	398,384
Other than Intragovernmental Assets	
Cash and Other Monetary Assets (Note 4)	378
Accounts Receivable, Net (Note 6)	3,625
Loans Receivable, Net	
Commodity Loans, Net	419
Loans Receivable, Net (Note 7)	136,738
Subtotal	137,157
Negative Liability for Loan Guarantees (Note 7)	391
Inventory and Related Property, Net (Note 8)	12
Property, Plant, and Equipment, Net (Note 9)	5,636
Advances and Prepayments	329
Investments, Net (Note 5)	3
Total Other than Intragovernmental Assets	147,531
Total Assets	545,915
Liabilities	
Intragovernmental Liabilities	
Debt (Note 13)	176,589
Advances from Others and Deferred Revenue	29
Other Liabilities (Note 17)	8,115
Total Intragovernmental Liabilities	184,733
Other than Intragovernmental Liabilities	
Accounts Payable	3,552
Federal Employee Salary, Leave, and Benefits Payable (Note 14)	1,196
Post-Employment Benefits Payable (Note 14)	746
Environmental and Disposal Liabilities (Note 15)	262
Benefits Due and Payable	7,640
Insurance and Guarantee Program Liabilities (Note 16)	16,524
Advances from Others and Deferred Revenue	189
Other Liabilities (Notes 17, 18 & 19)	10,971
Total Other than Intragovernmental Liabilities	41,080
Total Liabilities	225,813
Commitments and Contingencies (Note 19)	
Net Position	
Unexpended Appropriations	
Funds from Dedicated Collections (Note 20)	1,097
Funds from Other Than Dedicated Collections	235,493
Total Unexpended Appropriations (Consolidated)	236,590
Cumulative Results of Operations	
Funds from Dedicated Collections (Note 20)	5,061
Funds from Other Than Dedicated Collections	78,451
Total Cumulative Results of Operations (Consolidated)	83,512
Total Net Position	320,102
Total Liabilities and Net Position	\$ 545,915

The accompanying notes are an integral part of these financial statements.

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Consolidated Statement of Net Cost

For the Fiscal Year Ended September 30, 2025 (\$ in millions)

	FY 2025
Farm Production and Conservation:	
Gross Costs	\$ 58,167
Less: Earned Revenue	6,764
Net Costs	<u>51,403</u>
Food, Nutrition, and Consumer Services:	
Gross Costs	147,398
Less: Earned Revenue	128
Net Costs	<u>147,270</u>
Food Safety:	
Gross Costs	1,555
Less: Earned Revenue	255
Net Costs	<u>1,300</u>
Marketing and Regulatory Programs:	
Gross Costs	6,137
Less: Earned Revenue	1,660
Net Costs	<u>4,477</u>
Natural Resources and Environment:	
Gross Costs	13,008
Less: Earned Revenue	932
Net Costs	<u>12,076</u>
Rural Development:	
Gross Costs	9,478
Less: Earned Revenue	3,889
Net Costs	<u>5,589</u>
Research, Education, and Economics:	
Gross Costs	4,443
Less: Earned Revenue	114
Net Costs	<u>4,329</u>
Trade and Foreign Agricultural Affairs:	
Gross Costs	869
Less: Earned Revenue	12
Net Costs	<u>857</u>
Staff Offices:	
Gross Costs	2,198
Less: Earned Revenue	270
Net Costs	<u>1,928</u>
Total Gross Costs	243,253
Less: Total Earned Revenue	<u>14,024</u>
Net Cost of Operations (Notes 21 & 25)	<u><u>\$ 229,229</u></u>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Position

For the Fiscal Year Ended September 30, 2025 (\$ in millions)

	Funds from Dedicated Collections (Consolidated Totals) (Note 20)	Funds from Other Than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations			
Beginning Balances	\$ 954	\$ 217,079	\$ 218,033
Appropriations Received	12	238,523	238,535
Appropriations Transferred In (Out)	285	(69)	216
Other Adjustments	—	(18,770)	(18,770)
Appropriations Used	(154)	(201,270)	(201,424)
Net Change in Unexpended Appropriations	143	18,414	18,557
Total Unexpended Appropriations	1,097	235,493	236,590
Cumulative Results of Operations			
Beginning Balances	4,385	48,999	53,384
Other Adjustments	—	(1,048)	(1,048)
Appropriations Used	154	201,270	201,424
Non-exchange Revenue	259	60,247	60,506
Donations and Forfeitures of Cash and Cash Equivalents	1	4	5
Transfers In (Out) without Reimbursement	1,066	(1,742)	(676)
Imputed Financing	52	1,881	1,933
Other	(36)	(2,751)	(2,787)
Net Cost of Operations	(820)	(228,409)	(229,229)
Net Change in Cumulative Results of Operations	676	29,452	30,128
Total Cumulative Results of Operations	5,061	78,451	83,512
Net Position	\$ 6,158	\$ 313,944	\$ 320,102

The accompanying notes are an integral part of these financial statements.

Combined Statement of Budgetary Resources

For the Fiscal Year Ended September 30, 2025 (\$ in millions)

	FY 2025	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	\$ 195,920	\$ 5,200
Appropriations (Discretionary and Mandatory)	255,813	49
Borrowing Authority (Discretionary and Mandatory)	26,437	26,967
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	12,070	14,846
Total Budgetary Resources	490,240	47,062
 New Obligations and Upward Adjustments (Total)	 286,840	 33,263
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	59,539	13,103
Exempt from Apportionment, Unexpired Accounts	110	—
Unapportioned, Unexpired Accounts	11,745	696
Unexpired, Unobligated Balance, End of Year	71,394	13,799
Expired Unobligated Balance, End of Year	132,006	—
Unobligated Balance, End of Year (Total)	203,400	13,799
Total Budgetary Resources	490,240	47,062
 Outlays, Net (Total) (Discretionary and Mandatory)	 230,131	
Distributed Offsetting Receipts (-)	(2,679)	
Agency Outlays, Net (Discretionary and Mandatory)	\$ 227,452	
Disbursements, Net (Total) (Mandatory)		\$ 5,904

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

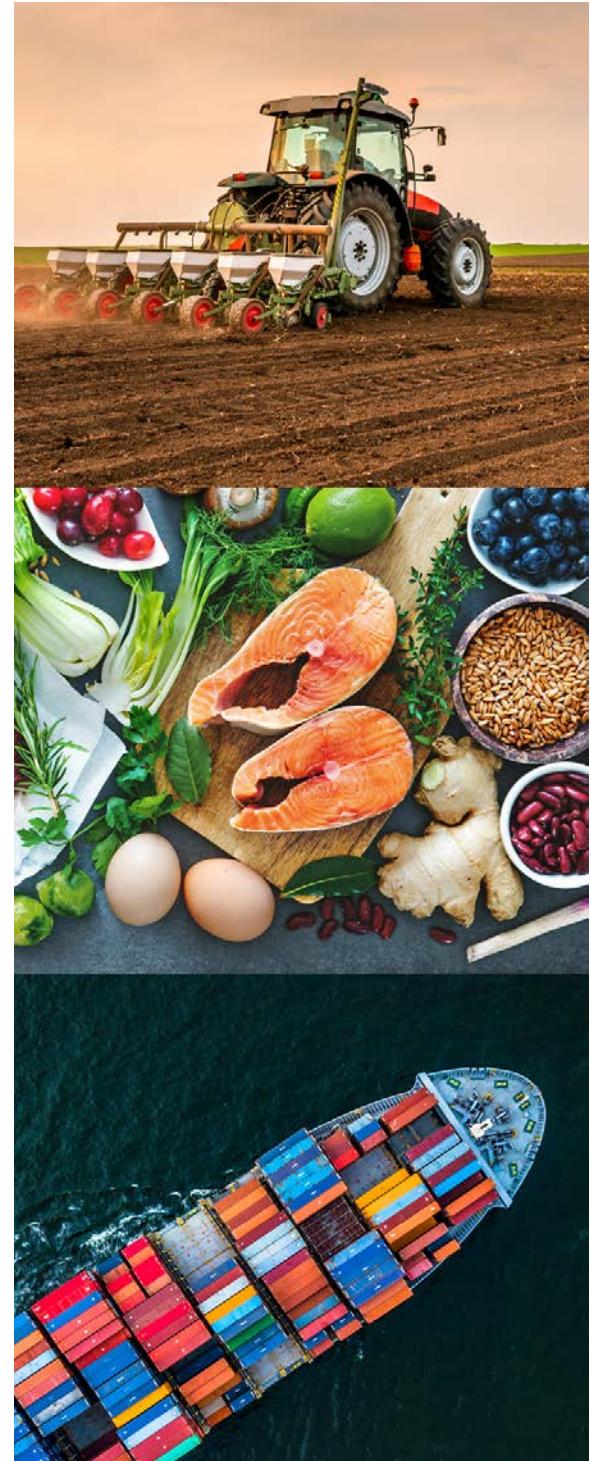
As of September 30, 2025 (\$ in millions)

NOTE 1: Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

USDA provides a wide variety of services in the United States and around the world. USDA is organized into eight distinct mission areas and their agencies that execute these missions, including staff offices for reporting listed below:

- **Farm Production and Conservation**
 - Farm Production and Conservation Business Center
 - Farm Service Agency
 - Commodity Credit Corporation
 - Risk Management Agency
 - Natural Resources Conservation Service
- **Food, Nutrition, and Consumer Services**
 - Food and Nutrition Service
- **Food Safety**
 - Food Safety and Inspection Service
- **Marketing and Regulatory Programs**
 - Agricultural Marketing Service
 - Animal and Plant Health Inspection Service
- **Natural Resources and Environment**
 - Forest Service
- **Rural Development (Rural Housing Service, Rural Utility Service and Rural Business Cooperative Service)**
- **Research, Education, and Economics**
 - Agricultural Research Service
 - National Agricultural Statistics Service
 - National Institute of Food and Agriculture
 - Economic Research Service
- **Trade and Foreign Agricultural Affairs**
 - Foreign Agricultural Service
 - U.S. Codex Office
- **Staff Offices**



The Commodity Credit Corporation listed above is not separately identified in the Organization Chart but is a component required to prepare financial statements. The Office of the Chief Scientist is reported in staff offices for financial statements but is listed with the Under Secretary for Research, Education, and Economics in the USDA Organization Chart because the agencies that comprise the mission area fund its operations.

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government. See Note 26 for Disclosure Entities and Related Parties that are not part of consolidation.

Summary of Significant Accounting Policies

Consolidation

The financial statements consolidate results of all agencies and staff offices. The effects of intradepartmental activity and balances are eliminated, except for the Statement of Budgetary Resources (SBR) which is presented on a combined basis. The financial statements are prepared in accordance with generally accepted accounting principles for the Federal Government.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fund Balance with Treasury (FBWT) and Funds from Dedicated Collections

FBWT is an asset of a reporting entity and a liability of the General Fund. Similarly, investments in Federal Government securities that are held by Dedicated Collections accounts are assets of the reporting entity responsible for the Dedicated Collections and liabilities of the General Fund. In both cases, the amounts represent commitments by the Government to provide resources for particular programs, but they do not represent net assets to the Government as a whole.

When the reporting entity seeks to use FBWT or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Revenue and Other Financing Sources

As a component of the Government-wide reporting entity, the entity is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in entity and the Government-wide financial reports.

The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations.

Revenue from exchange transactions is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, sales price is fixed or determinable, and collection is reasonably assured. In certain cases, the prices charged by the Department are set by law or regulation, which for program and other reasons may not represent full cost. Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities. Revenue from non-exchange transactions is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. Appropriations are recognized as a financing source when used. An imputed financing source is recognized for costs subsidized by other Government entities.

Budgetary Terms

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts mean payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent.

Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the *Analytical Perspectives* volume of the President's Budget.

Investments

The Department is authorized to invest certain funds in excess of its immediate needs in Treasury securities. Investments in non-marketable par value Treasury securities are classified as held to maturity and are carried at cost. Investments in market-based Treasury securities are classified as held to maturity and are carried at amortized cost. The amortized cost of securities is based on the purchase price adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities.

Accounts Receivable

Accounts receivable are reduced to net realizable value by an allowance for uncollectible accounts. The adequacy of the allowance is determined based on past experience and age of outstanding balances.

Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after FY 1991 are reported based on the present value of the net cash flows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during the year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before FY 1992 are valued using either the present-value or net realizable methods. Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cash flows. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees. Under the net realizable value method, the average rate of the last five years of write-offs is used.

Inventories and Related Property

Commodity inventory, referred to as goods held under price support and stabilization programs in SFFAS No. 3, Accounting for Inventory and Related Property, issued by FASAB, represent commodities acquired by CCC for donation or price support purposes. Commodities are eventually sold or otherwise disposed of to help satisfy economic goals. Acquisition is generally made through commodity loan forfeitures, use of Commodity Certificate Exchange, or by purchase of commodities on the open market.

Inventory purchases are initially recorded at acquisition cost, including transportation, plus processing and packaging costs incurred after acquisition. Acquisition cost for loan forfeitures is the amount of the loan settlement, excluding interest. The commodity is revalued at the lower of cost or the net realizable value in accordance with SFFAS No. 3.

Commodity inventory is not held in reserve for future sale. All commodity inventory on hand at year-end is anticipated to be donated or transferred during the next fiscal year. CCC has no excess, obsolete or unserviceable inventory.

Property, Plant and Equipment (PP&E)

PP&E are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Useful lives for PP&E are disclosed in Note 9. Capitalization thresholds for personal property is \$100,000, real property is \$500,000; and internal use software is \$500,000. There are no restrictions on the use or convertibility of PP&E.

Pension and Other Retirement Benefits

Pension and other retirement benefits (primarily retirement health care benefits) expense is recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, medical, and miscellaneous costs for approved compensation cases.

Funds from Dedicated Collections

In accordance with SFFAS 43, Funds from Dedicated Collections which became effective October 1, 2012, USDA has reported the funds from dedicated collections for which it has program management responsibility when the following three criteria are met: 1) a statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-federal source only for designated activities, benefits or purposes;

2) explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and 3) a requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

Leases

Starting in FY 2024, federal reporting entities are required to report a right-to-use (RTU) lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

USDA elected the transitional accommodation provided for embedded leases. Embedded leases is a common industry term which generally describes contracts or agreements that contain lease component(s) and nonlease component(s), such as service components, and serve a primary purpose attributable to the nonlease component(s). The transitional accommodation applies only to contracts or agreements that meet both of the following criteria: (1) The contracts or agreements contain nonlease component(s) and may contain lease component(s) and (2) The purpose of the contracts or agreements is primarily attributable to the nonlease component(s), such as service components, based on management's assessment of the nature of the contracts or agreements and professional judgment. For contracts or agreements meeting the criteria above, USDA accounts for such contracts or agreements, including the lease component(s), as nonlease contracts or agreements in their entirety. This election applies to contracts or agreements existing as of October 1, 2023, and/or those subsequently entered into or modified on or prior to September 30, 2026 (end of the accommodation period).

Contingencies

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

Allocation Transfers

USDA is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

USDA allocates funds, as the parent, to the Department of the Interior, Department of Defense, Department of Housing and Urban Development, Agency for International Development, and the Small Business Administration. USDA receives allocation transfers, as the child, from the Department of Labor, Department of Transportation, Department of the Interior, Agency for International Development, Economic Development Administration, Appalachian Regional Commission, and the Delta Regional Authority.

Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Department are recognized as imputed cost [in the Statement of Net Cost] and are offset by imputed revenue [in the Statement of Changes in Net Position]. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary assets are not assets of the Federal Government and are not recognized on the balance sheet.

Asbestos-Related Cleanup Costs

Effective October 1, 2012, FASAB, Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, as amended, requires an estimate of both friable and non-friable asbestos-related cleanup costs; recognition of a liability and related expense for those costs that are both probable and reasonably estimable; and disclosure of information related to friable and non-friable asbestos-related cleanup costs that are probable but not reasonably estimable in a note to the financial statements.

Deferred Maintenance and Repairs

Deferred maintenance and repairs are such that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use. SFFAS 42, Deferred Maintenance and Repairs became effective October 1, 2014. Estimates for deferred maintenance and repairs are disclosed in required supplementary information.

Reconciliation of Net Cost to Net Outlays

SFFAS 53, Budget and Accrual Reconciliation (BAR) became effective October 1, 2018. The BAR explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period.

Insurance Programs

The Federal Crop Insurance Program is considered a short-duration exchange transaction insurance program. The crop insurance policies insure against unexpected declines in yield and/or price due to natural causes. The insurance policies are structured as a contract between Approved Insurance Providers (AIPs) and producers, with the Federal Crop Insurance Corporation (FCIC) providing reinsurance to AIPs.

Crop insurance policies automatically renew each year, unless producers cancel them by a published annual deadline.

Under the reinsurance agreements, AIPs agree to deliver insurance products to eligible entities under certain terms and conditions. The administrative and operating subsidy compensates the AIPs for selling and servicing crop insurance policies, including the direct settling of claims. Producers pay a portion of premium and fees to participate in the insurance program benefit payments. FCIC and AIPs share in underwriting gains or losses. The underwriting risk for the crop insurance program is shared by FCIC and the AIPs. The AIPs generally retain approximately 80 to 85 percent of the premium, and the risk associated with the premium. FCIC provides AIPs stop-loss reinsurance for the risk associated with their retained premium. Stop loss reinsurance is a type of reinsurance where the reinsurer pays the cedant's losses if they exceed a certain percentage of the earned premium in any given year. This limits the primary carrier's liability to a specific percentage of the total loss each year.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.



Note Disclosures Related to the Balance Sheet

NOTE 2: Non-Entity Assets

Non-entity assets include proceeds from the sale of timber payable to the U.S. Treasury, timber contract performance bonds, employer contributions and payroll taxes withheld for agencies serviced by the National Finance Center, rural housing escrow, interest, fines, and penalties.

	FY 2025
Intragovernmental Assets:	
Fund Balance with Treasury	\$ 386
Accounts Receivable	116
Total Intragovernmental Assets	<u>502</u>
Other than Intragovernmental Assets:	
Cash and Other Monetary Assets	112
Accounts Receivable	768
Total Other than Intragovernmental Assets	<u>880</u>
Total Non-Entity Assets	1,382
Total Entity Assets	544,533
Total Assets	<u><u>\$ 545,915</u></u>



NOTE 3: Fund Balance with Treasury

Unobligated Balance - Unavailable includes expired and unexpired amounts. Borrowing Authority Not Yet Converted to Fund Balance represents unobligated and obligated amounts recorded at year-end that will be funded by future borrowings. Non-Budgetary Fund Balance with Treasury includes special fund receipt accounts, and clearing and suspense account balances awaiting disposition or reclassification.

	FY 2025
Status of Fund Balance with Treasury	
Unobligated Balance	\$ 217,284
Obligated Balance Not Yet Disbursed	164,932
Borrowing Authority Not Yet Converted to Fund Balance	(67,150)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(9)
Non-Budgetary Fund Balance with Treasury	81,858
Total Fund Balance with Treasury	\$ 396,915

NOTE 4: Cash and Other Monetary Assets

For FY 2025, cash and other monetary assets consists of federal crop insurance escrow of \$200 million, deposits in transit of \$66 million, and single-family housing escrow of \$112 million, respectively.

	FY 2025
Cash	<u><u>\$ 378</u></u>



NOTE 5: Investments, Net

FY 2025	Cost/ Acquisition Value	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value
Intragovernmental Securities and Investments:						
Non-marketable - Market-based	\$ 413	Straight Line	\$ 1	\$ 3	\$ 417	\$ 411
Total Intragovernmental Securities and Investments	<u>413</u>		<u>1</u>	<u>3</u>	<u>417</u>	<u>411</u>
Fair Value Measurement of Non-Intragovernmental Investments						
Equity Securities						3
Total Fair Value Measurement of Non-Intragovernmental Investments					<u>\$ 3</u>	
Total						



Fair value measurement of non-intragovernmental investments include equity securities held by the Alternative Agricultural Research and Commercialization Corporation (AARCC). These securities represent shares the AARCC program purchased as part of the original investment into non-publicly traded companies. The program along with the investments is currently going through a review process with regards to the viability of the remaining investments and their value.

The U.S. Treasury does not set aside assets to pay future expenditures associated with funds from dedicated collections; instead the cash generated from funds from dedicated Treasury securities are issued to the funds from dedicated collections as evidence of the dedicated receipts; Treasury securities held by the funds for dedicated collections are an asset of the fund(s) and a liability of the U.S. Treasury, and will be eliminated by consolidation in the U.S. Government-wide financial statements; and when the funds from dedicated collections redeems their Treasury securities to make expenditures, the U.S. Treasury will finance those expenditures in the same manner that it finances all other expenditures.

NOTE 6: Accounts Receivable, Net

FY 2025	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 914	\$ —	\$ 914
Other than Intragovernmental	3,715	(90)	3,625
Total	\$ 4,629	\$ (90)	\$ 4,539
 Criminal Restitution	 \$ 405	 \$ (15)	 \$ 390



NOTE 7: Loans Receivable, Net and Loan Guarantee Liabilities

Direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990, as amended.

Direct loan obligations or loan guarantee commitments made pre-1992 are reported at either net present-value or net realizable value.

The net present value of Direct Loan and Loan Guarantees, Net is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

The Department offers direct and guaranteed loans through credit programs in the FPAC mission area through the FSA and the CCC, and in the RD mission area.

Farm Production and Conservation Mission Area

FSA offers direct and guaranteed loans to farmers who are temporarily unable to obtain private, commercial credit, and nonprofit entities that are engaged in the improvement of the nation's agricultural community. Often, FSA borrowers are beginning farmers who cannot qualify for conventional loans due to insufficient financial resources. Additionally, the agency helps established farmers who have suffered financial setbacks from natural disasters or have limited resources to maintain profitable farming operations. FSA officials also provide borrowers with supervision and credit counseling.

FSA's mission is to provide supervised credit. FSA works with each borrower to identify specific strengths and weaknesses in farm production and management, and provides alternatives to address weaknesses. FSA is able to provide certain loan servicing options to assist borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rates, acceptance of easements, and debt write-downs. The eventual goal of FSA's farm credit programs is to graduate its borrowers to commercial credit.

CCC's foreign programs provide economic stimulus to both the U.S. and foreign markets, while giving humanitarian assistance to the most disadvantaged people throughout the world. CCC offers both credit guarantee and direct credit programs for buyers of U.S. exports, suppliers, and sovereign countries in need of food assistance.

CCC permits debtor nations to reschedule debt under the aegis of the Paris Club. The Paris Club is an informal group of official creditors whose role is to facilitate debt treatments based on an internationally recognized set of rules and principles, facilitated by the senior officials of the French Treasury. Its sole purpose is to assess, on a case-by-case basis, liquidity problems faced by economically disadvantaged countries. The general premise of Paris Club is to provide disadvantaged nations short-term liquidity relief to enable them to reestablish their credit worthiness. The U.S. Departments of State and Treasury lead the U.S. Delegation and negotiations for all U.S. agencies.

CCC also provides loans for farm and sugar storage facilities through the Farm Storage Facility Loan Program (FSFL). FSFL provides low interest financing for producers to build or upgrade farm storage and handling facilities.

FSFL program regulations were amended during FY 2017 to add eligibility for portable storage structures, portable equipment, and storage and handling trucks, and to reduce the down payment and documentation requirements for a “microloan” category of FSFLs up to \$50,000.

Exhibit 12: Farm Production and Conservation List of Direct Loan and Loan Guarantee Programs

Farm Service Agency	Commodity Credit Corporation
Direct Farm Ownership	General Sales Manager Export Credit Guarantee Program
Direct Farm Operating	Public Law (P.L.) 480 Title 1 Program
Direct Emergency Loans	Direct Farm Storage Facility
Direct Indian Land Acquisition	Direct Sugar Storage Facilities
Direct Boll Weevil Eradication	
Direct Seed Loans to Producers	
Direct Conservation	
Guaranteed Farm Operating Subsidized/Unsubsidized	
Guaranteed Farm Ownership Unsubsidized	
Guaranteed Conservation	
American Recovery and Reinvestment Fund	

Rural Development Mission Area

RD offers both direct and guaranteed loans administered through three agencies with unique missions to bring prosperity and opportunity to rural areas. Each year, RD programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing, business, and utilities.

To leverage the impact of its programs, RD is working with State, local, and Tribal Governments, as well as private and nonprofit organizations and user-owned cooperatives. RD is able to provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements, and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

Rural Housing programs provide affordable, safe, and sanitary housing and essential community facilities to rural communities. They also help finance new or improved housing for moderate, low, and very low-income families each year. Other programs help rural communities to finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other community facilities.

Rural Business programs promote a dynamic business environment in rural America. These programs work in partnership with the private sector and community-based organizations to provide financial assistance and business planning. They also provide technical assistance to rural businesses and cooperatives, conduct research into rural economic issues, and provide cooperative educational materials to the public.

Rural Utilities programs help to improve the quality of life in rural America through a variety of loan programs for electric energy, telecommunications, and water and environmental projects. These programs leverage scarce federal funds with private capital for investing in rural infrastructure, technology, and development of water resources.

Exhibit 13: Rural Development List of Direct Loan and Loan Guarantee Programs

Rural Housing Program	Rural Business Program	Rural Utilities Program
Single Family Housing Direct Loans (including Self-Help Loans)	Business and Industry Loan Guarantees	Water and Environmental Direct Loans, Loan Guarantees
Single Family Housing Loan Guarantees	Intermediary Relending Program Loans	Rural Broadband Direct Loans
Single Family Housing Repair Loans	Rural Microentrepreneur Assistance Program	Electric and Telecommunications Direct Loans and Loan Guarantees
Rural Rental Housing Direct Loan	Rural Economic Development Loans	
Rural Rental Housing Loan Guarantees	Rural Energy for America Program Loan Guarantees	
Farm Labor Housing Loans	Biorefinery Renewable Chemical, and Bio-based Product	
Community Facilities Direct Loans and Loan Guarantees	Manufacturing Assistance Program Loan Guarantees	

Loan Modifications

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, continued through FY 2025. In this program, RD provides restructured loans and grants to development owners to revitalize multi-family housing development projects in order to extend the affordable use without displacing tenants due to the increased rent.

Payments to distressed borrowers and associated modifications for the Agricultural Credit Insurance Fund were authorized by the Inflation Reduction Act Section 22006 for loan programs authorized by the Consolidated Farm and Rural Development Act, subtitles A, B, and C (farm ownership, farm operating, and emergency). Total funding is \$3.1 billion for both payments and modification costs and is available until FY 2031. 95 percent of the funding was obligated at the end of FY 2025.

The Debt Reduction Fund is used to account for CCC's "modified debt." Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. With one exception, all outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the Federal Credit Reform Act of 1990, as amended. CCC finalized debt reductions for several P.L. 480 loans in the direct financing account that were initiated during FY 2024.

Foreclosed Property

As of September 30, 2025, foreclosed property consisted of 503 rural single-family housing dwellings, with an average holding period of 17 months for FY 2025. As of September 30, 2025, FSA-Farm Loan Program properties consist primarily of 105 farms. The average holding period for these properties in inventory for FY 2025 was 114.7 months. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY 2025 was 54. Certain properties can be leased to eligible individuals.

Other Information

Non-performing loans are defined as receivables that are in arrears by 90 or more days or are on rescheduling agreements until such time two consecutive payments have been made following the rescheduling. When RD, FSA and CCC calculate loan interest income, however, the recognition of revenue is deferred. Late interest is accrued on arrears.

Approximately \$12,699 million of Rural Housing borrowers' unpaid loan principal as of September 30, 2025 was receiving interest credit. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately \$560 million.

At the end of FY 2025, the RD portfolio contained approximately 39,871 restructured loans with an outstanding unpaid principal balance of \$2,922 million. At the end of FY 2025, the farm loan portfolio contained approximately 10,684 restructured loans with an outstanding unpaid principal balance of \$1.011 billion. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2025, was \$306 million.

Beginning in FY 2012, advance payments surpassed the loans receivable balance in the Rural Utilities Liquidating Fund. This was due to an increased volume in advance payments and a normal reduction to the Liquidating Portfolio. The Omnibus Budget Act of 1987, section 313, authorized the accumulation of Cushion of Credit (CoC) in the Revolving Fund. Borrowers were able to make advance payments up to their liquidating and financing total Rural Utilities Service debt. The enactment of the 2018 Agriculture Improvement Act had provided the borrowers the opportunity to prepay outstanding loans using the CoC balances without penalty through September 30, 2020. As of September 30, 2020 the CoC account is no longer accepting borrower deposits and the remaining balances are used to repay outstanding loan balances. To accurately represent the value of Electric and Telecommunication assets, RD reports the CoC amounts as a separate line item in Table 2.

Table 1: Direct Loans Obligated Prior to FY 1992

FY 2025 Direct Loan Programs	Loans Receivable, Gross		Interest Receivable	Foreclosed Property	Present Value Allowance	Direct Loans, Net		
	\$	47				\$	53	
Farm	\$	47	\$	30	\$	(30)	\$	53
Food Aid		131		6		(63)		74
Housing		4,257		829		(768)		4,325
Community Facility		3		—		—		3
Electric		37		1		—		38
Telecommunications		10		—		—		10
Water and Environmental		89		1		—		90
Total	\$	4,574	\$	867	\$	(861)	\$	4,593

Table 2: Direct Loans Obligated Post-1991

FY 2025 Direct Loan Programs	Loans Receivable, Gross		Interest and Fees Receivable		Foreclosed Property		Allowance for Subsidy Cost (Present Value)		Direct Loans, Net	
	\$	19,808	\$	376	\$	6	\$	(280)	\$	19,910
Farm										
Food Aid		214		7		—		(74)		147
Housing		18,409		574		43		(2,360)		16,666
Community Facility		13,048		79		—		(475)		12,652
Electric		62,531		45		—		2,228		64,804
Telecommunications		2,131		6		—		28		2,165
Water and Environmental		14,842		114		—		(280)		14,676
Intermediary Relending		267		1		—		(34)		234
Business and Industry		38		—		—		(3)		35
Economic Development		252		—		—		(24)		228
Cushion of Credit		(191)		—		—		—		(191)
Total	\$	131,349	\$	1,202	\$	49	\$	(1,274)	\$	131,326

Table 3: Total Amount of Direct Loans Disbursed (Post-1991)

Direct Loan Programs	FY 2025
Farm	\$ 3,658
Housing	1,139
Community Facility	1,075
Electric	6,023
Telecommunications	108
Water and Environmental	1,095
Intermediary Relending	12
Business and Industry	3
Economic Development	56
Total	\$ 13,169



Table 4: Subsidy Expense for Direct Loan Programs by Component

FY 2025 Direct Loan Programs	Fees and Other Collections				Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
	Interest Differential	Defaults	Other							
Farm	\$ 43	\$ 10	\$ (1)	\$ (11)	\$ 41	\$ (46)	\$ (239)	\$ 414	\$ 175	\$ 170
Export	—	—	—	—	—	—	—	—	—	(3)
Food Aid	—	—	—	—	—	—	—	—	26	26
Housing	99	40	—	(12)	127	1	1	(6)	(5)	123
Community Facility	(126)	91	—	14	(21)	—	—	189	189	168
Electric	(82)	5	(6)	(101)	(184)	—	8	(856)	(848)	(1,032)
Telecommunications	—	27	—	—	27	—	—	(82)	(82)	(55)
Water and Environmental	42	2	—	(54)	(10)	—	4	334	338	328
Intermediary Relending	2	1	—	—	3	—	—	(4)	(4)	(1)
Business and Industry	—	—	—	—	—	—	—	—	—	—
Economic Development	10	—	—	—	10	—	1	4	5	15
Total	\$ (12)	\$ 176	\$ (7)	\$ (164)	\$ (7)	\$ (45)	\$ (225)	\$ 16	\$ (209)	\$ (261)



The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

The Direct Farm program had a total reestimates of \$175 million. This total was comprised of a \$233 million upward technical reestimate and a \$(62) million downward technical reestimate, net interest on reestimate of \$3 million, with \$1 million due to the net accrual between FY 2024 financial statement reestimates and President's Budget (PB) reestimates. 98 percent of the total reestimate was due to ACIF, with the remainder due to Farm Storage Facility Loans.

The upward reestimate was \$185 million for direct farm ownership loans and \$43 million for direct farm operating loans. The upward reestimate for ACIF direct ownership was spread across 9 separate cohorts, 7 of which were less than \$1 million. Most of the upward reestimate for direct ownership was attributable to the 2024 and 2025 cohorts. The increases were largely due to (a) an increase in the single effective rate of 0.42 percent for the 2024 cohort which directly resulted in \$92 million of the upward reestimate and (b) a decrease in the 2025 actual versus budgeted borrower interest rate which reduced the interest rate spread and increased the cost from the 2025 PB rate. The differential in the budgeted versus actual borrower interest rate is caused in part by the fact that more borrowers than anticipated are receiving down payment and participation loans, which have significantly lower interest rates than regular loans.

The upward reestimate for direct operating was spread across 8 cohorts, of which 6 were less than \$1 million. Similar to farm ownership, 95 percent of the upward reestimate of \$43 million was due to the 2024 cohort, largely attributable to the single effective rate increase of 0.44 percent, which alone accounted for \$13 million of the total upward reestimate for that cohort. An increase in forecasted write-downs in FYs 2026 and later, paired with a reduction in total re-casted scheduled interest payments over the life of the loan, also contributed to the upward reestimate for cohort 2024.

The Direct Community Facility program had an overall upward reestimate of \$189 million. The main driver of the upward reestimate was the increase in the Single Effective Rates in cohort years 2021 and 2022 due to updated historical cash flows. Another small component of the upward reestimate was the increase in defaults in cohort year 2016.

The Direct Electric program had an overall downward reestimate of \$(848) million, which is mostly comprised of a \$(246) million downward reestimate in the Federal Financing Bank (FFB) program, a \$(683) million downward reestimate in the FFB Underwriter program, a \$6 million upward reestimate in the FFB Note Extension program, and a \$92 million upward reestimate in the Direct Electric Treasury program. The main driver for the downward reestimate in the Direct Electric FFB program was the increase in interest payments, accounts receivable inflows, and fees received due to updated data for FY 2024. The main driver for the downward reestimate in the FFB Underwriter program was an additional year of actual cash flow data added to the model which increased the prepayment curve, in addition the curve was extended from 26 periods to 34 periods.

The Direct Water and Waste Disposal program had an overall upward reestimate of \$338 million. The main drivers for the upward reestimate were the increase in principal prepayments due to updated historical cash flows, which resulted in lower forecasted scheduled principal and interest payments. As well as, the increase in the Single Effective Rates contributed to the upward reestimate.

Table 5: Subsidy Rates for Direct Loans by Program and Component (percentage)

FY 2025 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Ownership	2.32	0.21	—	(0.58)	1.95
Farm Operating	(3.81)	2.46	—	0.73	(0.62)
Emergency Disaster	5.13	7.20	—	(0.69)	11.64
Indian Tribe Land Acquisition	(5.32)	—	—	—	(5.32)
Farm Storage Facility Loan	0.37	—	(0.27)	(0.02)	0.08
Sugar Storage Facility Loan Program	(1.03)	—	—	0.12	(0.91)
Community Facility Loans	(1.38)	3.02	—	(0.52)	1.12
Section 502 Single-Family Housing	8.17	4.01	—	(0.38)	11.80
Section 515 Multi-Family Housing	40.27	0.88	—	(1.56)	39.59
Section 504 Housing Repair	26.82	(0.03)	—	(5.38)	21.41
Section 514 Farm Labor Housing	39.25	0.10	—	(0.59)	38.76
Section 524 Site Development	5.46	2.71	—	0.56	8.73
Multi-Family Housing Revitalization Seconds	70.82	0.29	—	(0.09)	71.02
Multi-Family Housing Revitalization Zero	59.50	0.22	—	(0.21)	59.51
Native American Single Family Relending Pilot	44.44	6.42	—	(1.47)	49.39
Rural Microenterprise Direct Loans	23.24	2.64	—	(4.09)	21.79
Intermediary Relending Program	35.09	0.96	—	(1.99)	34.06
Rural Economic Development Loans	20.66	—	—	(0.86)	19.80
Water and Waste Disposal Loans	16.76	0.10	—	(6.52)	10.34
Water and Waste 1%	45.04	0.08	—	(13.81)	31.31
Treasury Electric Loans	—	—	—	(1.61)	(1.61)
FFB Electric Loans	(3.47)	—	—	(0.83)	(4.30)
Treasury Telecommunications Loans	0.34	0.45	—	0.31	1.10
FFB Guaranteed Underwriting	—	0.60	(2.45)	(0.39)	(2.24)
Rural Energy Savings Program	19.98	0.55	—	(0.37)	20.16
IRA Section 22001	37.97	—	—	(0.29)	37.68
IRA Section 22004 Blended	18.40	—	—	(0.96)	17.44
IRA Section 22004 Zero	39.30	—	—	(1.61)	37.69
IRA Section 22004 Subsidized	1.50	—	—	(0.52)	0.98
Broadband Treasury Loans	0.38	13.74	—	(0.02)	14.10
Reconnect Direct Loans	19.49	8.57	—	(2.31)	25.75
Reconnect Grant Assisted Loans	—	8.57	—	0.39	8.96

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense.

The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Table 6: Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2025
Beginning Balance of the Subsidy Cost Allowance	\$ 2,538
Add: Total Subsidy Expense for Direct Loans Disbursed During the Year As Shown in Table 4	(7)
Adjustments	
Loan Modifications	(1)
Fees Received	90
Loans Written Off	(313)
Subsidy Allowance Amortization	38
Other	46
Ending Balance of the Subsidy Cost Allowance Before Reestimates	2,391
Add or Subtract Total Subsidy Reestimates As Shown in Table 4	(209)
Ending Balance of the Subsidy Cost Allowance	<u>\$ 2,182</u>

Table 7: Defaulted Guaranteed Loans from Post-1991 Guarantees

FY 2025 Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Farm	\$ 83	\$ 37	\$ —	\$ (82)	\$ 38
Export	40	—	—	(20)	20
Housing	788	—	—	(727)	61
Community Facility	6	—	—	6	12
Business and Industry	815	1	—	(128)	688
Total	<u>\$ 1,732</u>	<u>\$ 38</u>	<u>\$ —</u>	<u>\$ (951)</u>	<u>\$ 819</u>

Table 8: Guaranteed Loans Outstanding

FY 2025 Loan Guarantee Programs	Pre-1992 Outstanding Principal, Face Value	Post-1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre-1992 Outstanding Principal, Guaranteed	Post-1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Farm	\$ —	\$ 18,791	\$ 18,791	\$ —	\$ 17,148	\$ 17,148
Export	—	2,439	2,439	—	2,386	2,386
Housing	—	108,729	108,729	—	97,821	97,821
Community Facility	—	1,267	1,267	—	1,091	1,091
Electric	—	104	104	—	104	104
Water and Environmental	—	123	123	—	106	106
Business and Industry	—	12,725	12,725	—	9,224	9,224
Total	\$ —	\$ 144,178	\$ 144,178	\$ —	\$ 127,880	\$ 127,880

Table 9: New Guaranteed Loans Disbursed

Loan Guarantee Programs	FY 2025	
	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Farm	\$ 2,923	\$ 2,668
Export	2,518	2,463
Housing	8,162	7,346
Community Facility	92	76
Water and Environmental	8	7
Business and Industry	1,758	1,365
Total	\$ 15,461	\$ 13,925

Table 10: Liability for Loan Guarantees (Present Value)

FY 2025 Loan Guarantee Programs	Liabilities for Losses on Pre- 1992 Guarantees Present Value		Liabilities for Post- 1991 Guarantees Present Value		Liabilities for Loan Guarantees	
	\$	—	\$	132	\$	132
Farm		—		132		132
Export		—		4		4
Housing		—		(1,192)		(1,192)
Community Facility		—		21		21
Water and Environmental		—		1		1
Business and Industry		—		643		643
Total	\$	—	\$	(391)	\$	(391)

Table 11: Subsidy Expense for Loan Guarantees by Program and Component

FY 2025 Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
	\$	—	\$	—	\$	—	\$	1	\$	\$
Farm	\$	—	\$	—	\$	—	\$	1	\$	\$ (29)
Export	—	—	11	(7)	4	—	—	—	(6)	(6) (2)
Housing	—	222	(269)	—	(47)	—	—	—	719	719 672
Community Facility	—	3	(3)	—	—	—	—	2	2	2
Business and Industry	—	96	(78)	—	18	—	(1)	189	188	206
Total	\$	—	\$	(339)	\$	(25)	\$	1,199	\$	1,199 \$ 849

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

The FY 2025 reestimate process resulted in a \$296 million increase in the post-1991 estimated cost of the guaranteed farm loan portfolio. This total was comprised of a \$262 million upward reestimate, net interest of \$39 million, and net accruals between the FY 2024 financial statement reestimates and President's Budget (PB) reestimates of \$(5) million.

The upward technical reestimate for ACIF guaranteed ownership was spread across 26 separate cohorts, 12 of which were less than \$1 million. The largest upward reestimate for guaranteed ownership was attributable to the 2024 cohort (\$33 million). Additional FY2025 recovery receipts based on IRA payments were forecasted in the President's Budget cash flows. The associated modification savings were executed in November 2024 and January 2025, which ranged from \$(1.9) million to \$(36) million for cohorts 2007, 2008, 2010, and 2014 to 2024. However, the forecasted recovery receipts did not materialize in FY2025 and therefore resulted in a large upward reestimate.

The upward technical reestimate for guaranteed operating was spread across 23 cohorts, of which 8 were less than \$1 million. Similar to guaranteed farm ownership, additional FY2025 recovery receipts were forecasted in the President's Budget cash flows. The associated modification savings were executed in November 2024 and January 2025, which ranged from \$(2.2) million to \$(25.1) million for cohorts 2007, 2008, and 2011-2024. The forecasted recovery receipts did not materialize in FY2025, and the reestimate for these cohorts offset the executed FY2025 modification savings and therefore resulted in a large upward reestimate.

The Housing program had an overall upward reestimate of \$719 million. The majority of the upward reestimate is attributed to the Guaranteed Single-Family Housing Section 502 Program which had an overall upward reestimate of \$752.9 million. The Guaranteed Single-Family Housing Section 502 Program total upward reestimate is the result of an upward reestimate of \$725 million in the Section 502 Blended component of the program and an upward reestimate of \$28 million in the Section 502 Purchase component.

The majority of the total reestimate is explained by the Guaranteed Single-Family Housing Section 502 Blended component's change, which is attributed to an increase in forecasted default claims, as well as, a decrease in forecasted annual fee payments. These changes were driven by updating historical cash flows for FY 2024, which resulted in actual loss settlements paid being significantly higher than expected.

The Guaranteed Business and Industry had an overall upward reestimate of \$188 million. The majority of the upward reestimate was due to an increase in loss settlements paid as a result of updated historical cash flows, therefore this also resulted in a decrease of forecasted defaults.

Table 12: Subsidy Rates for Loan Guarantees by Program and Component (percentage)

FY 2025 Loan Guarantee Programs	Fees and				
	Interest Supplements	Defaults	Other Collections	Other	Total
Farm Ownership—Unsubsidized	—	0.58	(1.12)	—	(0.54)
Farm Operating—Unsubsidized	—	1.04	(1.25)	—	(0.21)
Conservation—Guaranteed	—	0.47	(1.08)	—	(0.61)
GSM 102	—	0.28	(0.50)	—	(0.22)
Export Guarantee Program—Facilities	—	1.96	(2.06)	—	(0.10)
Community Facility Loan Guarantees	—	2.72	(3.89)	—	(1.17)
Guaranteed 538 Multi-Family Housing	—	3.06	(3.91)	—	(0.85)
Guaranteed 502 Single-Family Housing	—	2.70	(3.24)	—	(0.54)
Business and Industry Loan Guarantees	—	4.90	(4.71)	—	0.19
Renewable Energy Loan Guarantees	—	1.40	(2.28)	—	(0.88)
Section 9003 Loan Guarantees	—	37.35	(4.56)	0.18	32.97
Water and Waste Disposal Loans	—	0.68	(0.88)	—	(0.20)
Timber Production Expansion Guarantees	—	7.54	—	—	7.54

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Table 13: Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

	FY 2025
Beginning Balance of the Loan Guarantee Liabilities	\$ (1,552)
Less Claim Payments to Lenders	190
Add Fees Received	573
Less Interest Supplements Paid	6
Add Foreclosed Property and Loans Acquired	57
Add Subsidy Expense	23
Less Negative Subsidy Payments	61
Add Upward Reestimate	904
Less Downward Reestimates	(296)
Loan Guarantee Modifications	(331)
Other	(104)
Ending Balance of the Loan Guarantee Liabilities	<u>\$ (391)</u>

Table 14: Administrative Expenses

	FY 2025
Direct Loan Programs	\$ 616
Guaranteed Loan Programs	555
Total	<u>\$ 1,171</u>

Table 15: Loans Receivable, Net

	FY 2025
Beginning Balance of Loans Receivable, Net	\$ 129,576
Add: Loan Disbursements	13,734
Less: Principal and Interest Payments Received	6,621
Less: Fees Received	91
Add: Interest Accruals	37
Less: Sale of Foreclosed Property	26
Less: Loans Written Off	115
Add: Reduction in Subsidy Allowance for Loans Written Off	4
Less: Subsidy Expense	263
Add: Negative Subsidy	279
Less: Upward Reestimates	1,467
Add: Downward Reestimates	1,687
Other Increase/(Decrease) to the Subsidy Allowance	(6)
Other Changes to the Loan Modifications	(3)
Allowance for Loan and Interest Loss Adjustments	(9)
Other Non-Cash Reconciling Items	22
Ending Balance of Loans Receivable, Net	\$ 136,738

NOTE 8: Inventory and Related Property, Net

Commodity inventory is restricted for the purpose of alleviating distress caused by natural disasters, providing emergency food assistance in developing countries, and providing price support and stabilization.

Commodities:	Unit of Measure	FY 2025 Beginning Inventory		Acquisitions		Collateral Acquired		Donations		Others		FY 2025 Ending Inventory	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Corn Meal	Pounds	—	\$ —	19	\$ 5	—	\$ —	(19)	\$ (5)	—	\$ —	—	\$ —
Blended Foods	Pounds	19	\$ 16	63	\$ 53	—	\$ —	(74)	\$ (60)	—	\$ —	8	\$ 9
Dry Edible Beans	Cwt.	—	\$ —	—	\$ 3	—	\$ —	—	\$ (3)	—	\$ —	—	\$ —
Dry Whole Peas	Cwt.	—	\$ 1	1	\$ 16	—	\$ —	(1)	\$ (17)	—	\$ —	—	\$ —
Grain Sorghum	Bushels	1	\$ —	15	\$ 85	—	\$ —	(16)	\$ (85)	—	\$ —	—	\$ —
Lentils Dry	Cwt.	—	\$ —	—	\$ 1	—	\$ —	—	\$ (1)	—	\$ —	—	\$ —
Rice Products	Cwt., Pounds	—	\$ —	1	\$ 25	—	\$ —	(1)	\$ (25)	—	\$ —	—	\$ —
Vegetable Oil	Pounds	(4)	\$ —	57	\$ 46	—	\$ —	(58)	\$ (46)	5	\$ —	—	\$ —
Wheat Products	Bushels, Pounds	—	\$ —	11	\$ 95	—	\$ —	(11)	\$ (95)	—	\$ —	—	\$ —
Peanuts	Pounds	—	\$ —	—	\$ —	32	\$ 6	—	\$ —	(8)	\$ (2)	24	\$ 4
Soybeans	Bushels, Pounds	—	\$ —	348	\$ 89	—	\$ —	(348)	\$ (89)	—	\$ —	—	\$ —
Cotton	Bales	—	\$ —	—	\$ —	1	\$ 376	—	\$ —	(1)	\$ (376)	—	\$ —
Other	Various	—	\$ 6	—	\$ 5	—	\$ —	—	\$ (11)	—	\$ —	—	\$ —
Total			\$ 23		\$ 423		\$ 382		\$ (437)		\$ (378)		\$ 13
Allowance for losses													(1)
Total Inventory and Related Property, Net													12



NOTE 9: Property, Plant & Equipment, Net

Information concerning deferred maintenance and repairs and estimated land acreage is discussed in unaudited required supplementary information. Information regarding RTU lease arrangements is included in Note 18, Leases.

FY 2025

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		\$ 87	\$ (758)	\$ 87
Improvements to Land	10	759		1
Construction-in-Progress		749	—	749
Buildings, Improvements and Renovations	15 – 30	4,670	(2,546)	2,124
Other Structures and Facilities	8 – 50	1,959	(1,737)	222
Equipment	5 – 25	2,492	(1,649)	843
Lessee Right-To-Use Lease Asset	2 – 48	1,237	(339)	898
Leasehold Improvements	3 – 15	110	(91)	19
Internal-Use Software	5	2,227	(1,662)	565
Internal-Use Software in Development		128	—	128
Total		\$ 14,418	\$ (8,782)	\$ 5,636

Total PP&E and Accumulated Depreciation	Net PP&E
Balance Beginning of Year	\$ 5,463
Capitalized Acquisitions	641
Right-to-Use Lease Assets, Current Year Activity	181
Current Year Amortization of Right-to-Use Lease	(148)
Dispositions	1
Depreciation Expense	(502)
Balance at End of Year	\$ 5,636

NOTE 10: Stewardship Property, Plant & Equipment

Stewardship PP&E consist of assets whose physical properties resemble those of general PP&E that are traditionally capitalized in the financial statements. Due to the nature of these assets, valuation would be difficult and matching costs with specific periods would not be meaningful. Stewardship PP&E include heritage assets and stewardship land. Information concerning deferred maintenance and repairs and estimated land acreage is discussed in unaudited required supplementary information.

Heritage Assets

Heritage assets are unique and are generally expected to be preserved indefinitely. Heritage assets may be unique because they have historical or natural significance, are of cultural, educational, or artistic importance, or have significant architectural characteristics. The assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No amounts are shown on the Balance Sheet for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations. The costs of acquisition, betterment, or reconstruction of multi-use heritage assets is capitalized as general PP&E and depreciated. The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use, is considered an expense in the period incurred when determining the net cost of operations. Heritage assets consist of collection type, such as objects gathered and maintained for exhibition, such as library collections, and non-collection type, such as memorials, monuments, and buildings.

National Forests, National Grasslands and Other Sites

FS manages its heritage assets by site. Sites include national forests, national grasslands, other FS-managed sites, and non-FS-managed sites such as museums and university laboratories. The mission of the FS is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. The FS strives to achieve quality land management under the sustainable multiple-use management concept, to deliver the necessary products and services that are essential for enhancing natural resource stewardship, and to meet the diverse needs of people.

Heritage Asset categories can include the following:

Priority Heritage Assets (PHA): Heritage assets of distinct public value that are, or should be, actively maintained, and meet one or more of the following criteria:

- The property is recognized through an official designation, such as a listing on the National Register of Historic Places, State register, etc.
- The property is recognized through prior investment in preservation, interpretation, and use. Any improvement to a PHA that meets real property designation criteria is considered real property.
- The property is recognized in an Agency-approved management plan.
- The property exhibits critical deferred maintenance needs, and those needs have been documented.

Other Heritage Assets: Assets that may have potential important historical or cultural significance but lack formal listing and the demonstrated need for active maintenance.

Assemblage Assets: Any grouping of artifacts or archival materials aggregated through donation, agency events, site-specific or other field collection, other acquisition method, or combination therein.

Research Centers

ARS was established on November 2, 1953. Congress first authorized federally supported agricultural research in the Organic Act of 1862. The statute directed the Commissioner of Agriculture “to acquire and preserve in his department all information he can obtain by means of books and correspondence, and by practical and scientific experiments.” The scope of USDA’s agricultural research has been expanded and extended more than 60 times since the Department was created.

NRCS owns one heritage asset, the Tucson Plant Materials Center (TPMC), which is included in general PP&E as a multi-use asset. It was listed in the National Register of Historic Places on July 2, 1997.

The TPMC develops and evaluates native plants and addresses an array of resource issues relating to rangeland, mines, urban land, cropland riparian areas, and desert land. The TPMC provides technical assistance to NRCS field offices; Resource Conservation and Development groups; conservation districts; Federal, State, or Tribal agencies; and private landowners throughout the Southwest.

Library Collections

National Agricultural Library (NAL) supports agricultural research through the acquisition, curation, and dissemination of information needed to solve today’s agricultural challenges. NAL’s content ranges from special collections materials dating from the early 16th century to near-real time observational research data. The Library holds more than 3.5 million items. NAL was created as the departmental library for USDA in 1862 and became a national library in 1990. One of five national libraries of the U.S., it is also a key member of the Agriculture Network Information Collaborative partnership. In its international role, NAL participates, as appropriate, in international agricultural information initiatives.

Acquisition and Withdrawal of Heritage Assets

The FS generally does not construct heritage assets, although in some circumstances important site-structural components may be rehabilitated or reconstructed into viable historic properties to provide forest visitors with use and interpretation. Heritage assets may be acquired through the procurement process, but this rarely occurs. Normally, heritage assets are part of the land acquisition and inventory process. Withdrawal occurs through land exchange or natural disasters. Most additions occur through inventory activities where previously undocumented sites are discovered and added to the total.

Stewardship Land

Stewardship land is land and land rights not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. Stewardship land is valued for its environmental resources, recreational and scenic value, cultural and paleontological resources, vast open spaces, and resource commodities and revenue provided to the Federal Government, States, and counties. These assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount is shown on the balance sheet for stewardship land. The acquisition cost of stewardship land is considered an expense in the period acquired when determining the net cost of operations. Stewardship land consists primarily of the national forests and grasslands owned by the FS and conservation easements purchased by NRCS.

National Forests

National forests are formally established and permanently set aside and reserved for national forest purposes, including National Wilderness, National Primitive, National Wild and Scenic River, National Recreation, National Scenic Research, National Game Refuges and Wildlife Preserve, and National Monument areas.

National Grasslands

National grasslands are designated by the Secretary of Agriculture and permanently held by the USDA under Title III of the Bankhead-Jones Farm Tenant Act.

Research and Experimental Areas

Research and experimental areas are reserved and dedicated by the Secretary of Agriculture for forest and range research experimentation. Areas reported are located outside the exterior boundaries of a national forest or national grassland.

National Preserves and Other Areas

National preserves are established to protect and preserve scientific, scenic, geologic, watershed, fish, wildlife, historic, cultural, and recreational values; and provide for multiple use and sustained yield of renewable resources. Other areas include areas administered by the FS that are not included in one of the above groups.

Research Centers

ARS has public domain land used to support scientific solutions to national and global agricultural challenges. ARS invests in stewardship land supporting research, development, and outreach of new varieties and technologies to mitigate animal/plant diseases and increase productivity, sustainability, and product quality. USDA research supports America's farmers and ranchers in their work to produce a safe and abundant food supply, with an additional focus to establish more sustainable systems to enhance crop and animal health.

Conservation Easements

NRCS' mission objectives in administering the conservation easement programs are to provide landowners with financial and technical assistance in return for maintaining and improving high quality productive soils, clean and abundant water, healthy plant and animal communities, clean air, an adequate energy supply, and working farm and ranch land.

NRCS' objectives in managing, monitoring, and enforcing the terms and conditions of easement deeds are to ensure that: 1) taxpayer investments are properly used in accordance with the intent of the program; 2) the agency is a good steward of the land; and 3) the land is properly maintained and managed compliant with agreed upon terms and conditions of the easement deed.

Stewardship resources involve substantial investment in order to gain long-term benefits for the American public and help the agency satisfy its mission. The purpose of purchasing easements is to restore or enhance wetlands, farmland, grasslands, forest ecosystems, and restore, protect, maintain, and enhance the functions of floodplains.

NRCS, on behalf of USDA, administers and owns conservation easements on private lands through a variety of programs. The specific uses for the land are identified under each program. Landowners are not allowed to withdraw from the program. However, termination or expiration may occur.

For the purpose of reporting, all easements where NRCS (or a variant of the United States administered through NRCS authorities) is listed as a grantee of the easement are included in the agency's stewardship land count. The NRCS stewardship land easements include conservation easements enrolled through program authorities and other easements administered by NRCS. As not all stewardship land conservation easements are permanent in duration, adjustments to end of year count and acreage balances may be made to account for expired or extinguished easements.

Acquisition and Withdrawal of Stewardship Lands

The Land and Water Conservation Fund (L&WCF) Land Acquisition Program acquires land for the FS National Forest System (NFS). The program coordinates with a variety of partners, including State, local, and Tribal Governments, and private landowners through statewide planning for development of a land-adjustment strategy.

The Land Acquisition Program preserves, develops, and maintains access to NFS lands and waters for the public and provides permanent access to public lands for recreation, commodity production, resource management, public safety, and community economic viability.

The L&WCF statutory authority specifically defines the purpose to also include protecting the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, archeological values, as well as food and habitat for fish and wildlife, and managing the public lands for minerals, food, timber, and fiber.

From these several allowable uses of program funding, the program concentrates on protecting habitat for priority species identified in the national forest and grassland's Land Management Plans and enhancing recreational opportunities for areas with high demand for recreation. The program focuses acquisitions on inholdings and areas adjacent to existing NFS lands.

FY 2025 (In Units)	Beginning Balance	Additions	Withdrawals	Ending Balance
Heritage Assets				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Other Sites	173	17	(31)	159
Research Centers	34	—	(3)	31
Library Collections	1	—	—	1
Total	382	17	(34)	365
Stewardship Land				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Research and Experimental Areas	3	—	—	3
National Preserves and Other Areas	2	—	—	2
Research Centers	33	—	(3)	30
Conservation Easements	19,825	200	(1)	20,024
Total	20,037	200	(4)	20,233

NOTE 11: Other Assets

APHIS has an intragovernmental leasehold reimbursable work agreement with GSA for the Otay Mesa Land Port of Entry Modernization project which GSA is expected to derive a significant level of residual economic benefits and services from the reimbursable work. In accordance with FASAB, Technical Bulletin 2023-01, APHIS recognizes an intragovernmental reimbursable work asset for the construction costs and GSA recognizes the resulting leasehold improvement and an intragovernmental unearned reimbursable work revenue liability. APHIS amortizes the intragovernmental reimbursable work asset and GSA recognizes intragovernmental reimbursable work revenue in a systematic and rational manner over the shorter of (a) the remainder of the lease term or (b) the useful life of the underlying asset constructed.

	FY 2025
Intragovernmental Assets	
Reimbursement Work Asset	\$ 8
Total Intragovernmental Assets	<u>8</u>
Total Other Assets	<u>8</u>

NOTE 12: Liabilities Not Covered by Budgetary Resources

In FY 2025, other intragovernmental liabilities not covered by budgetary resources included accruals for FECA of \$144 million, contract disputes claims payable to Treasury's Judgment Fund of \$26 million, unemployment compensation of \$7 million, and Technology Modernization Fund of \$57 million. In FY 2025, interest on repayable advances for Disaster Relief Trust Fund was \$575 million.

In FY 2025, other liabilities with the public not covered by budgetary resources included contingent liabilities of \$83 million, Payments to States of \$134 million, single-family housing escrow of \$112 million, loans paid in advance for multi-family housing of \$27 million, and stewardship contracting product sales of \$4 million. In FY 2025, unfunded lessee lease liability was \$848 million.

	FY 2025
Intragovernmental Liabilities	
Other	\$ 809
Total Intragovernmental Liabilities	<u>809</u>
Other than Intragovernmental Liabilities	
Federal Employee Salary, Leave, & Benefits Payable	807
Post-Employment Benefits Payable	571
Environmental and Disposal Liabilities	244
Insurance and Guarantee Program Liabilities	12,717
Other	1,208
Total Other than Intragovernmental Liabilities	<u>15,547</u>
Total Liabilities Not Covered by Budgetary Resources	16,356
Total Liabilities Covered by Budgetary Resources	206,332
Total Liabilities Not Requiring Budgetary Resources	3,125
Total Liabilities	<u><u>\$ 225,813</u></u>

NOTE 13: Debt

FY 2025	Beginning Balance	Net Borrowing	Ending Balance
Source of Debt			
Debt Owed to the Federal Financing Bank	\$ 54,372	\$ 537	\$ 54,909
Debt Owed to Treasury other than FFB	99,933	21,747	121,680
Total Debt	<u><u>\$ 154,305</u></u>	<u><u>\$ 22,284</u></u>	<u><u>\$ 176,589</u></u>

NOTE 14: Federal Employee Benefits Payable

Other than Intragovernmental:	FY 2025
Accrued Funded Payroll and Leave	\$ 387
Employer Contributions and Payroll Taxes Payable	2
Unfunded Leave	807
Other Post Employment Benefits Due and Payable	175
Actuarial FECA Liability	571
Total Federal Employee Benefits Payable	\$ 1,942

NOTE 15: Environmental and Disposal Liabilities

USDA is subject to the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, and the Resource Conservation and Recovery Act for cleanup of hazardous waste. In FY 2025, FS estimates the liability for total cleanup costs for sites known to contain hazardous waste to be \$4 million based on actual cleanup costs at similar sites. In FY 2025, CCC estimates the liability for total cleanup costs for sites known to contain hazardous waste to be \$34 million based on actual cleanup costs at similar sites. CCC estimates the range of potential future losses due to remedial actions to be between \$34 million and \$270 million. These estimates will change as new sites are discovered, remedy standards change, and new technology is introduced.

In FY 2025, ARS estimated the liability for cleanup of the Beltsville Agricultural Research Center (BARC) to be \$56 million. Remediation costs are calculated for each site utilizing costs presented in a feasibility study, engineering estimate, actual costs, etc. Ground water monitoring and/or reporting costs are calculated for each site, assuming annual monitoring, where the annual monitoring costs are projected over a 30-year period (assuming indefinite long-term monitoring or remedial action operation period/phase). Where monitoring costs have already been paid for (contract executed) and/or where modeling or testing has deemed a period shorter than 30-years, those long-term management costs were not included in the 30-year period. Adjustments for inflation are also included in the estimates. ARS is evaluating and remediating areas of concern on BARC that are contaminated or threaten to contaminate ground and surface water with pesticides, solvents, metals, and other hazardous substances.

USDA is also subject to Asbestos National Emissions Standards for Hazardous Air Pollutants. In FY 2025, the Department estimated its liability for asbestos-related cleanup of real property to be \$168 million. The liability is calculated using total square footage of real property expected to contain asbestos times a cost factor based on historical actual cleanup costs, adjusted for inflation, including any other identifiable costs, e.g., survey cost. As additional information becomes available, key assumptions will be reevaluated, cost estimates will be revised, and necessary adjustments will be made to the liability recognition.

NOTE 16: Insurance Programs

In crop year 2025, there were approximately 1.4 million standard reinsurance and livestock policies totaling approximately \$199 billion insurance in-force, however, there is a remote likelihood that claims equal to the entire insurance in-force will be filed at the same time.

The AIPs for FY 2025 are as follows:

- **CM:** Country Mutual Insurance Company
- **CP:** Clear Blue Insurance Company
- **EF:** Rural Community Insurance Company
- **FA:** American Agricultural Insurance Company
- **FH:** Farmers Mutual Hail Insurance Company
- **GA:** Great American Insurance Company
- **HU:** Hudson Insurance Company
- **NA:** NAU Country Insurance Company
- **PL:** Producers Agriculture Insurance Company
- **PS:** Palomar Specialty Insurance Company
- **RH:** ACE American Insurance Company
- **WN:** American Agri-Business Insurance Company

The funds within the Federal Crop Insurance Program can be used to pay any authorized expense of the program. The following table lists the type of funds received and the resources used by the program for 2025.

Federal Crop Insurance Program Resource and Resources Used

Resource	FY 2025	Uses	FY 2025
Producer Premiums Collected	\$ 7,204	Obligations for Delivery Costs	\$ 2,820
Producer Fees Collected	54	Obligations for Indemnities	15,779
Underwriting Loss Collected from AIPs	11	Obligations for Underwriting Gain	2,470
Appropriations	13,867	Obligations for Initiatives & Other Costs	51
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	601	Unobligated Balance End of Year	604
Total	\$ 21,724	Total	\$ 21,724

The Federal Crop Insurance Act requires the total premium, including producer paid premium and premium subsidy, to be established to achieve an overall projected loss ratio of not greater than 1.0 over an extended period of time. The FCIC Act dictates the percentage of subsidized premium. The estimation of expected indemnities is generally based on the observed historical rate of loss often referred to as the 'loss cost' method.

FCIC may request the Secretary of Agriculture to provide borrowing authority funds of the CCC if at any time the amounts in the insurance fund are insufficient to allow FCIC to carry out its duties. Even though the authority exists, FCIC did not request CCC funds in the reporting period. Instead, FCIC uses such sums as are necessary from the U.S. Treasury to cover program costs that exceed collections.

Loss Recognition

The end of the government's fiscal year, on September 30, occurs while many crops are still in the field and subject to ongoing natural risks causing significant uncertainty for the end-of-fiscal-year estimates of claims. Estimates can often vary by 20 percent or more from results.

Estimates of claims are based on current crop conditions and historical trends for a given crop condition. Therefore, it is assumed the expected claims will be like levels observed historically.

Estimates assume there is a relationship between crop yields, harvest prices, and the resulting loss ratios. The indemnity for an individual producer is based on the difference between the producer's actual yield and his/her average yield. Similarly, for revenue plans, the indemnity is based on the difference between the actual harvest price and the "base" price which is the estimated harvest price at the time the crop is planted.

Regression analyses are based on the historic relationships between the crop yields and harvest prices (when necessary) for each crop in each State and the resulting loss ratios in each of those years. The resulting regression coefficients are used in conjunction with the most recent NASS forecasts and commodity futures prices to calculate a projected loss ratio for each crop/State combination.

There are uncertainties associated with these assumptions including:

- Actual yields, which may be different than those provided by the NASS estimates;
- Changes in weather patterns close to harvesting dates, which could affect yields but not be reflected in the NASS estimates;
- Commodity prices, which may change from those in the market because of many factors (such as weather, yields, and economic conditions); and
- Significant catastrophic weather events (i.e. hurricanes and freezes) occurring near the balance sheet date, which could affect estimated crop yields and crop prices.

There are uncertainties associated with assumptions used to estimate losses on insurance claims. As a result, the ultimate liability may differ significantly from the recorded estimate. Indemnity costs are paid from premium proceeds, including producer paid premium and premium subsidies. If indemnity costs exceed funds available, additional funds will be requested and apportioned to FCIC.

Insurance Liabilities

The following table shows the insurance liabilities as of September 30, 2025.

	2025
Estimated Losses on Insurance Claims	
Liability for Unpaid Insurance Claims	\$ 2,153
Liability for Losses on Remaining Coverage	7,815
Total Estimated Losses on Insurance Claims	<u>9,968</u>
Unearned Revenue	\$ 1,689
Underwriting Gain	4,842
Other Insurance Liabilities	25
Total Insurance Liabilities	<u><u>16,524</u></u>

Estimated Losses on Insurance Claims

The following table shows information for the estimated losses on insurance claims for FY 2025.

Changes in Estimated Losses on Insurance Claims	2025
Beginning Balance	\$ 8,723
Claims Expenses	15,779
Payments to Settle Claims	(15,910)
Adjustment of Accruals for Estimated Losses	1,376
Ending Balance	<u><u>9,968</u></u>

The chart above provides a roll forward of the liability for estimated losses on insurance claims from the prior fiscal year to the current fiscal year. The claims expenses represent actuals reported.

The Adjustment of Accrual for Estimated Losses is the reversal of the prior fiscal year accrual combined with the current fiscal year accrual for estimated losses. The indemnity projection is based on two major factors: losses due to a shortfall in yield and changes in commodity prices impacting revenue plans. The principal data source for yield projections is the NASS Crop Production report. The NASS Crop Production report is considered to represent USDA's official perspective on the current state of agricultural production. It is based on a survey of growers along with inspections of randomly selected sections of farms. Although the NASS Crop Production report is scrutinized by multiple sources, it is still an estimate and is subject to some uncertainty.

The revenue plans of insurance base their indemnities on the futures prices for specific contracts and exchanges. The best prediction of the final price for the futures contract is the most current price of the relevant commodities exchange. At the time the indemnity projection is made, up-to-date futures prices are taken from multiple exchanges.

Liability for Unpaid Insurance Claims

Liability for unpaid insurance claims are claims for adverse events that occurred before the end of the reporting period. Under SFFAS 51, for the claim to be considered incurred, a single event or a series of events must be completed by the end of the reporting period to be considered an adverse event of the period.

The liability for unpaid insurance claims is comprised of the following:

- Funds in the Escrow accounts to cover payments to producers who have not cashed their indemnity payments
- Claims reported but not paid as of the end of the reporting period
- Incurred but Not Reported (IBNR) is estimated claims from events that have occurred as of the end of the reporting period but have not yet been reported for settlement.

FCIC uses a historical trend analysis based upon the data from the prior years to determine the value of claims incurred for the current reinsurance year as of the financial statement reporting date. When the Summary of Business (SOB) is higher than the estimate at year end, the SOB amount is used.

Liability for Losses on Remaining Coverage

The liability for losses on remaining coverage as of the end of the reporting period represents the estimated amounts to be paid to settle claims for the remaining open arrangement period exceeding losses associated with the related unearned premiums as of the end of the reporting period.

The liability for losses on remaining coverage is the total projected losses minus actual losses reported, IBNR, and losses associated with unearned premium.

Liability for Unearned Insurance Premiums

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the consolidated balance sheets.

Underwriting Gain/Loss

Underwriting gain/loss is the AIPs portion of earnings or losses on the insurance book of business due from or to FCIC. A periodic settlement, as stipulated in the Standard Reinsurance Agreement, is calculated where results of business written by AIPs are determined and an experience-rated gain or loss on business ceded from AIPs is computed. Payments due to AIPs for a net gain are paid in the second fiscal year following the reinsurance year. Underwriting losses are paid to FCIC periodically.

Underwriting Gain	2025	
Current Year Estimated Gains	\$	2,967
Actual Underwriting Gains		1,875
Total Underwriting Gain Liability	\$	4,842

At the end of FY 2025, the underwriting gain liability includes amounts for reinsurance years 2024 and 2025. The reinsurance year 2025 estimated underwriting gain was \$2,967 million based on a loss ratio of .75. The actual reinsurance year 2024 Underwriting Gain of \$1,875 million was based on an actual loss ratio of 0.94 and will be paid in FY 2026.

NOTE 17: Other Liabilities

Intragovernmental Other Liabilities:

Liability for Clearing Accounts

In FY 2025, liability for clearing accounts includes a payroll timing difference of \$18 million and amounts awaiting disposition or reclassification of \$(33) million.

Liability for Non-Entity Assets Not Reported as Custodial Activities

In FY 2025, liability for non-entity assets not reported as Custodial Activities represents liquidating fund balances of \$6,590 million due to the General Fund. Liquidating fund balances represent excess collections from pre-1992 direct loan obligations and loan guarantee commitments.

Other Liabilities Without Related Budgetary Obligations

In FY 2025, other liabilities without related budgetary obligations includes \$575 million interest on repayable advances for Disaster Relief Trust Fund, credit programs of \$57 million, and insurance claims and indemnities of \$26 million.

Other than Intragovernmental Other Liabilities:

Other Liabilities With Related Budgetary Obligations

In FY 2025, other liabilities with related budgetary obligations with the public included Agricultural Risk Coverage of \$1,803 million; Grants, Subsidies, and Contributions of \$4,549 million; Conservation Reserve Program of \$1,860 million; and other accrued liabilities of \$846 million.

Other Liabilities Without Related Budgetary Obligations

In FY 2025, other liabilities without related budgetary obligations with the public included Payments to States of \$134 million, single-family housing escrow of \$112 million, loans paid in advance for multi-family housing of \$27 million, and other accrued liabilities of \$4 million.

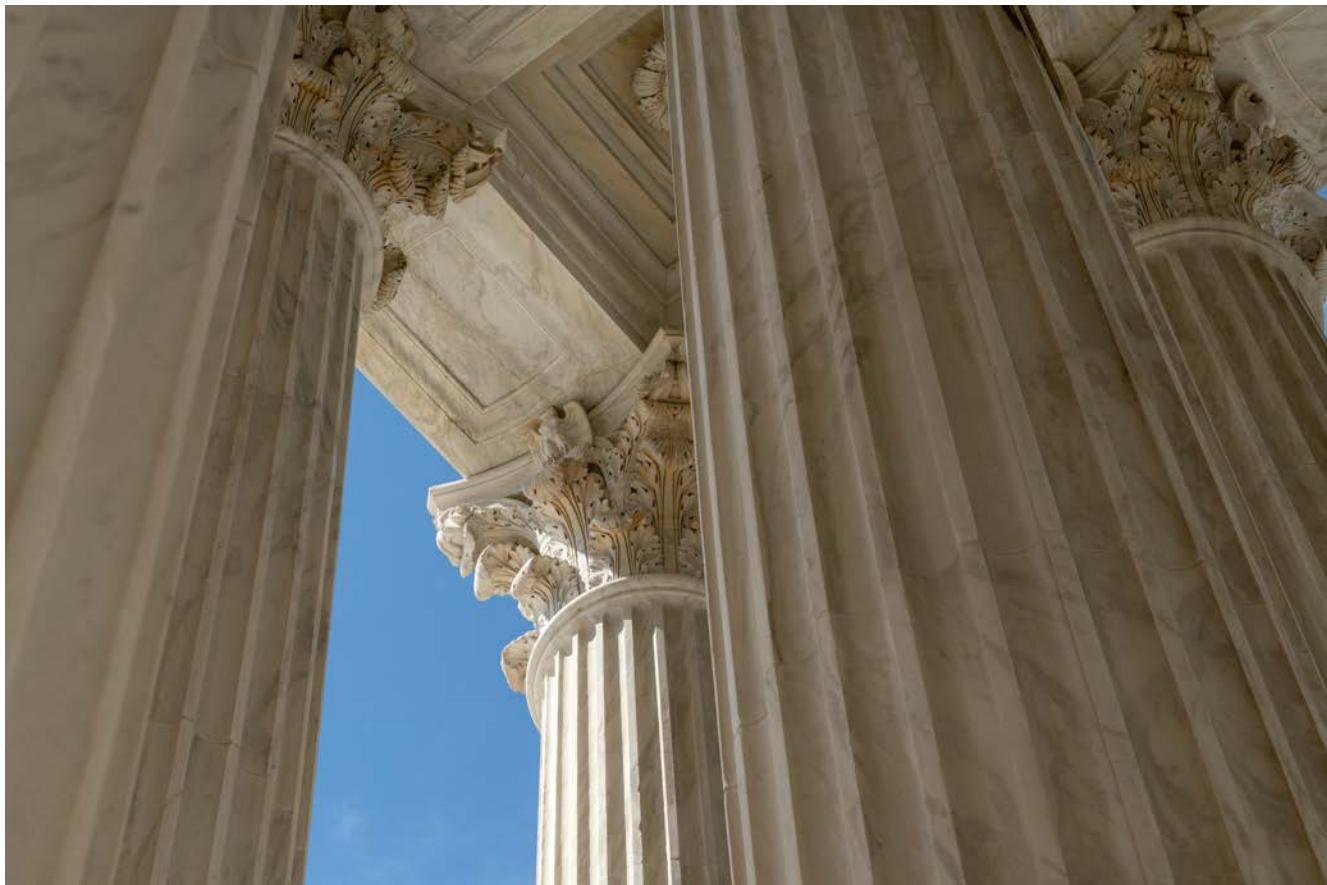
FY 2025

Intragovernmental Other Liabilities:

	Non-Current	Current	Total
Other Liabilities With Related Budgetary Obligations	\$ —	\$ 26	\$ 26
Employer Contributions and Payroll Taxes	—	114	114
Unfunded FECA Liability	80	64	144
Other Unfunded Employment Related Liability	—	7	7
Liability for Clearing Accounts	—	(15)	(15)
Custodial Liability	—	591	591
Liability for Non-Entity Assets not Reported as Custodial Activities	—	6,590	6,590
Other Liabilities Without Related Budgetary Obligations	—	658	658
Total Intragovernmental Other Liabilities	\$ 80	\$ 8,035	\$ 8,115

Other than Intragovernmental Other Liabilities:

Other Liabilities With Related Budgetary Obligations	—	9,058	9,058
Lessee Lease Liability	—	60	60
Unfunded Lessee Lease Liability	—	848	848
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	—	618	618
Liability for Clearing Accounts	—	26	26
Contingent Liabilities (Note 19)	—	83	83
Custodial Liability	—	1	1
Other Liabilities Without Related Budgetary Obligations	27	250	277
Total Other than Intragovernmental Other Liabilities	\$ 27	\$ 10,944	\$ 10,971
Total Other Liabilities	\$ 107	\$ 18,979	\$ 19,086



NOTE 18: Leases

Intragovernmental

USDA primarily leases buildings and structures, through the General Services Administration, that are essential to government operations including general office space, office space for field, regional, and state operations, laboratories and other research facilities, warehouses, airfields, border inspection stations, and training facilities for fire suppression. For intragovernmental leases, disclosure of annual lease expenses consists of amounts incurred during the fiscal year.

The USDA Headquarters complex (Whitten Building and South Building) is a government owned facility, which is part of the GSA Federal Buildings Inventory. As the result of a 1998 agreement between GSA and USDA, a moratorium was placed on the rental billings for the Headquarters complex beginning in FY 1999. At current market rate, the estimated yearly rental payment for the above-mentioned space would be \$63 million. This agreement is still in effect and as a result, USDA activities located in the Headquarters complex are not billed for rental costs. Imputed costs are not recognized.

Other than Intragovernmental

USDA's lessee arrangements predominantly consist of RTU leases. Beginning in FY 2024, RTU assets are reported in Property, Plant and Equipment, Net (Note 9) on the Consolidated Balance Sheet and the related lease liabilities are reported in Other Liabilities (Note 17). All leases are recorded on the Consolidated Balance Sheet except short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases. For RTU lease assets, annual lease expenses include amounts incurred during the fiscal year for the amortization of the lease assets, as well as associated interest expense. The discount rates used to calculate the RTU Liability and Asset amounts is based on rates provided by the Department of Treasury. Rates are applied to leases based on their commencement date and total lease term. The range is 3.63 percent – 5.00 percent from October 1, 2024 – September 30, 2025. USDA's leases consist primarily of office space, most with renewal options with escalation clauses based on the Consumer Price Index (CPI), and lease periods remaining of 2 to 48 years.

USDA's lessor arrangements consist mostly of special use agreements and grazing permits. Since most of the revenue collected from these agreements is based on a variety of rent/fee calculations, it is highly variable. Therefore, revenues are recognized as income in the period earned.

FY 2025

Lessee

Intragovernmental:

Lease Expense:	Total
Land and Building	\$ 190
Machinery and Equipment	2
Total	\$ 192

Other than Intragovernmental:

Lease assets:	Total
Land and Buildings	\$ 1,237
Accumulated amortization	(339)
Total	\$ 898

Fiscal Year	Principal	Interest	Total
2026	\$ 160	75	\$ 235
2027	162	67	229
2028	134	58	192
2029	91	55	146
2030	56	43	99
2031-35	165	70	235
2036-40	77	25	102
2041-45	59	8	67
After 20 years	4	1	5
Total	\$ 908	\$ 402	\$ 1,310

Lease expense:	Total
Amortization	\$ 236
Interest	45
Other	236
Total	\$ 517

Lessor

Other than intragovernmental:

Lease revenue:	Total
Variable	\$ 189
Total	\$ 189

NOTE 19: Commitments and Contingencies

The Department is subject to various contingencies related to legal claims as well as commitments under contractual and other commercial obligations.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment is remote.

FY 2025	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	\$ 83	\$ 83	\$ 85
Reasonably Possible		1,508	3,729

Commitments to extend loan guarantees are estimated to be \$4,402 million in FY 2025.

NOTE 20: Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities or purposes and must be accounted for separately from the Government's general revenues.

Financial information for all significant funds from dedicated collections follows the descriptions of each fund's purpose shown below.

Agricultural Marketing Service

Expenses and Refunds, Inspection and Grading of Farm Products

The commodity grading programs provide grading, examination, and certification services for a wide variety of fresh and processed food commodities using federally approved grade standards and purchase specifications. This fund is financed by the collection of fees charged to producers of various food commodities who request, on a voluntary basis, inspection and grading of agricultural food commodities. This program is authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621–1627).

Funds for Strengthening Markets, Income, and Supply

The funds for strengthening markets, income, and supply are used to purchase commodities for schools and elderly feeding programs, to provide goods and other necessities in emergencies and disasters, and to purchase agricultural commodities to stabilize markets. The fund is permanently financed by statutory transfer of an amount equal to 30 percent of customs receipts collected during each calendar year and is automatically appropriated for expanding outlets for perishable, non-price supported commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Oceanic and Atmospheric Administration. All remaining funding in excess of the amount made available under the 2008 Farm Bill to carry out Section 32 activities is transferred to the Food and Nutrition Service and is used to purchase commodities under section 6 of the National School Lunch Act and other authorities specified in the child nutrition appropriation. Funds are available under section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c).

Animal and Plant Health Inspection Service

Agricultural Quarantine Inspection User Fee Account

This fund is used to record and report expenditures and revenue associated with operating Agricultural Quarantine Inspection (AQI) activities at ports of entry. The Farm Bill of 1990, as amended by the Federal Agriculture Improvement and Reform Act of 1996, gave APHIS the authority to charge user fees for AQI services and to use the revenue to fund AQI activities. In March of 2003, a portion of the AQI program was transferred to the Department of Homeland Security (DHS); however, APHIS retained the authority to collect AQI revenue. APHIS transfers a portion of the revenue to DHS periodically throughout the year to fund its expenditures. The revenue in the fund is collected from airlines, air passengers, vessels, trucks, and railroad cars that are subject to AQI inspection at ports of entry. These user fees are an inflow of revenue from the public that is used to fund AQI inspections that are required by APHIS and DHS. The authority is codified in 21 U.S.C. 136(a).

Forest Service

Acquisition of Lands to Complete Land Exchanges

Land Exchange Acquisitions is authorized by the Act of December 4, 1967, as amended (16 U.S.C. 484a), commonly known as The Sisk Act. All deposits received during the previous fiscal year are made available by the annual appropriation act. The authorizing legislation provides for cash deposits of a portion or all of the value of the selected lands in exchange cases with States, local governments, and public school districts or other public school authority, to be used to purchase similar lands, or in cases of special legislation, for authorized expenditures from funds deposited by non-federal parties.

Cooperative Work

Cooperative contributions are deposited for disbursement in compliance with the terms and provisions of the agreement between the cooperator and the FS. Cooperators include timber purchasers, not-for-profit organizations, and local hunting and fishing clubs. The governing authorities are the Cooperative Funds Act of July 31, 1914 (16 U.S.C. 498) and the Knutson Vandenberg Act.

Land Acquisition

Funds are appropriated annually from Interior's Land and Water Conservation Fund, but are no-year appropriations to the Forest Service for acquisition of land pursuant to the Land and Water Conservation Act, as amended and other land acquisition authorities of the Forest Service (section 40.12).

National Grasslands Receipts

Title III, Bankhead-Jones Farm Tenant Act (Act) of July 22, 1937, as amended (7 U.S.C. 1012) authorizes annual payments on a calendar year basis to counties, equal to 25 percent of revenues received during the year from sales activities and fees on lands designated as national grasslands or land utilization projects. Counties use these payments for public schools and roads.

The administrative process of aggregating the receipts on a calendar year basis (involving two fiscal years) and disbursing the payments requires an unavailable receipt account (National Grasslands Receipts, Forest Service) and an available receipt account (Payments to Counties, National Grasslands, Forest Service).

National Forest Fund Receipts

The Act of May 23, 1908, as amended (16 U.S.C. 500), requires (with a few exceptions) that all receipts from national forest activities be aggregated each fiscal year in order to calculate the portion which is paid to the States in which the national forests are located. The payments must be used for public schools and roads in the county or counties in which the national forests are situated. Originally, the States' portion of receipts was 25 percent, but past statutory amendments have changed the calculation factors from time to time. Receipts include revenues from the sale of timber and other forest products; fees for grazing, special-use permits, power and mineral leases; and recreation user fees.

National Parks and Public Land Legacy Restoration Fund

The Great American Outdoors Act (GAOA) (P.L. 116-152) provides authority to establish the National Parks and Public Land Legacy Restoration Fund to address the maintenance backlog on public lands. The funds are allocated across GAOA-specified bureaus/agencies including the USDA Forest Service for fiscal years 2021 through 2025.

Payments to States, National Forest Fund

The Act of May 23, 1908, as amended (16 U.S.C. 500), commonly known as Payments to States, requires with a few exceptions, that 25 percent of all monies received from the national forests and deposited into the National Forest Fund during a fiscal year from timber, grazing, special-use permits, power and mineral leases, and admission and user fees be paid to the States in which the national forests are located, for public schools and public roads in the county or counties in which the national forests are situated.

Recreation Fee Demonstration Program

The Recreation Fee Demonstration Program fund receives deposits of recreation fees collected from projects that are part of the Recreation Fee Demonstration Program. These monies are retained and used for backlog repair and maintenance of recreation areas, sites, or projects. These funds are also used for interpretation, signage, habitat or facility enhancement, resource preservation, annual operation, maintenance, and law enforcement related to public use of recreation areas and sites. The Recreation Fee Demonstration Program is authorized by 16 U.S.C. 4601-6(a).

Reforestation Trust Fund

The Reforestation Trust Fund, 16 U.S.C. 1606a, receives its budgetary resources from periodic transfers by the U.S. Treasury of tariffs from exported timber. Amounts may be invested and reinvested by the FS in U.S. Treasury interest bearing Government securities. The funds are available for use by the Secretary of Agriculture to obligate for reforestation and timber-stand improvement activities.

Restoration of Forest Lands and Improvements

The Restoration of Forest Lands and Improvements Acts (16 U.S.C. 579(c)) states any monies received by the United States with respect to lands under the administration of the Forest Service (a) as a result of the forfeiture of a bond or deposit by a permittee or timber purchaser for failure to complete performance of improvement, protection, or rehabilitation work required under the permit or timber sale contract or (b) as a result of a judgment, compromise, or settlement of any claim, involving present or potential damage to lands or improvements, shall be deposited into the Restoration of Forest Lands and Improvements Account. The monies are then made available until expended to cover the cost to the United States of any improvement, protection, or rehabilitation work on lands under the administration of the Forest Service rendered necessary by the action which led to the forfeiture, judgment, compromise, or settlement, provided that any portion of the monies received in excess of the amount expended in performing the work necessitated by the action which led to their receipt shall be transferred to miscellaneous receipts.

State and Private Forestry

The FY 2004 Department of the Interior and Related Agencies Appropriation Act (P.L. 108-108) authorizes the Forest Service to receive a transfer of receipts from the Department of the Interior's Land and Water Conservation Fund to finance the existing Forest Legacy Program. Treasury established a new special fund, "State and Private Forestry" to accommodate for this program, and the funding is available until expended. The program expenditures include grants and an occasional land purchase, but no real property will be procured or constructed.

Stewardship Contracting Product Sales

Stewardship End Result Contracting Projects (16 U.S.C. 6591c), amends the Healthy Forests Restoration Act of 2003, and states the Forest Service, via agreement or contract as appropriate, may enter into stewardship contracting projects with private persons or other public or private entities to perform services to achieve land management goals for the national forests and the public lands that meet local and rural community needs. The value of timber or other forest products removed may be applied as an offset against the cost of services received under the agreements or contracts. Monies earned from such agreements or contracts may be retained by the Forest Service and shall be available for expenditure without further appropriation at the project site from which the monies are collected or at another project site. In addition, if the offset value of the forest products exceeds the value of the resource improvement treatments, the Forest Service may collect any residual receipts under the Act of June 9, 1930 (commonly known as the Knutson-Vandenberg Act, 16 U.S.C. 576); and apply the excess to other authorized stewardship projects. Finally, the Forest Service is required to annually report to the Committee of Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives on the status and accomplishments of these agreements and contracts.

Timber Salvage Sales

The Salvage Sale Fund was established to facilitate the timely removal of timber damaged by fire, wind, insects, diseases, or other events. Amounts collected from the sale of salvaged timber are used on other qualifying salvage sales to cover the cost of preparing and administering the sales. The Timber Salvage Sales program is authorized by 16 U.S.C. 472(a).

National Institute of Food and Agriculture

Native American Institutions Endowment Fund

The Native American Institutions Endowment Fund was authorized by P.L. 103-382 which provided the initial installment to establish an endowment to benefit the 1994 land-grant institutions. The Equity in Educational Land-Grant Status Act of 1994 requires the Secretary of Treasury establish, contribute to the corpus (through annual appropriations), and distribute interest from this endowment fund to specified 1994 Institutions. The principal (corpus) of the fund cannot be expended or withdrawn. After the close of each fiscal year, the income is distributed after adjusting for the cost of administering the fund. The interest is distributed based on a prescribed formula to 1994 land-grant institutions for the benefit of agriculture and the mechanic arts. The 1994 land-grant institutions may use the distributed interest income for the following or similar activities: curricula design and instructional materials, faculty development and preparation, instruction delivery systems, student experiential learning, equipment and instrumentation for teaching, student recruitment and retention, and (for funds received on/after 10/1/2006) new construction.

Other

Financial information is summarized for all other funds from dedicated collections with total assets less than \$50 million listed below.

Natural Resources Conservation Service

- Damage Assessment and Restoration Revolving Fund
- Miscellaneous Contributed Funds

Food Safety and Inspection Service

- Expenses and Refunds, Inspection of Farm Products

Agricultural Marketing Service

- Inspection and Weighing Services
- Perishable Agricultural Commodities Act
- Wool Research, Development and Promotion Trust Fund

Animal Plant Health Inspection Service

- Miscellaneous Contributed Funds

Forest Service

- Acquisition of Lands for National Forests, Special Acts
- Administration of Rights-of-Way and Other Land Uses Fund
- Communications Site Administration
- Expenses, Brush Disposal
- Gifts and Bequests
- Donations for Forest and Rangeland Research
- Hardwood Technology Transfer and Applied Research Fund
- Land Between the Lakes Management Fund
- Land Between the Lakes Trust Fund
- Licensee Program
- Midewin National Prairie (MNP) Rental Fee Account
- Operation and Maintenance of Quarters
- Payment to Minnesota (Cook, Lake and Saint Louis Counties) from the National Forests Fund
- Quinault Special Management Area
- Range Betterment Fund
- Receipts for Construction of Administrative Improvements—Arizona and Taos, New Mexico Land Conveyance
- Recreation Residence Program
- Roads and Trails for States, National Forest Fund
- Timber Roads, Purchaser Elections
- Timber Sales Pipeline Restoration Fund

Rural Development

- Alternative Agricultural Research and Commercialization Revolving Fund

Agricultural Research Service

- Concessions Fees and Volunteer Services
- Gifts and Bequests
- Miscellaneous Contributed Funds

National Agricultural Statistics Service

- Miscellaneous Contributed Funds

Foreign Agricultural Service

- Foreign Service National Separation Liability Trust Fund
- Gifts and Bequests
- Miscellaneous Contributed Funds

Office of the Secretary

- Gifts and Bequests

Office of Partnerships and Public Engagement

- Gifts and Bequests

Office of Communications

- Gifts and Bequests

Office of General Counsel

- Gifts and Bequests

Office of the Inspector General

- Inspector General Assets Forfeiture, Department of Justice
- Inspector General Assets Forfeiture, Department of Treasury

FY 2025

Funds from Dedicated Collections

BALANCE SHEET

Assets

Intralocal Governmental Assets

	AMS	AMS	APHIS		FS				
	Expenses and Refunds, Inspection and Grading of Farm Products	Funds for Strengthening Markets, Income, and Supply	Agricultural Quarantine Inspection User Fee Account	Acquisition of Lands to Complete Land Exchanges	Cooperative Work	Land Acquisition	National Grasslands Receipts	National Forest Fund Receipts	National Parks and Public Land Legacy Restoration Fund
Fund Balance with Treasury	\$ 155	\$ 926	\$ 440	\$ 78	\$ 449	\$ 421	\$ 198	\$ 153	\$ 30
Investments, Net	—	—	—	—	—	—	—	—	—
Accounts Receivable, Net	—	2	—	—	—	—	—	—	865
Advances and Prepayments	—	—	—	—	—	—	—	—	8
Other Assets	—	—	8	—	—	—	—	—	—
Total Intralocal Governmental Assets	155	928	448	78	449	421	198	153	903

Other than Intralocal Governmental Assets

Accounts Receivable, Net	29	—	153	—	—	—	—	7	—
General Property, Plant, and Equipment, Net	6	—	60	42	7	41	—	—	64
Advances and Prepayments	—	—	—	—	—	—	—	—	—
Investments, Net	—	—	—	—	—	—	—	—	—
Total Other than Intralocal Governmental Assets	35	—	213	42	7	41	—	7	64
Total Assets	190	928	661	120	456	462	198	160	967

Liabilities

Intralocal Governmental Liabilities

Other Liabilities	9	—	1	—	—	—	—	—	—
Total Intralocal Governmental Liabilities	9	—	1	—	—	—	—	—	—

Other than Intralocal Governmental Liabilities

Accounts Payable	—	7	1	—	2	16	—	—	4
Federal Employee Salary, Leave and Benefits Payable	28	1	3	—	—	—	—	—	—
Post-Employment Benefits Payable	29	1	2	—	—	—	—	—	—
Advances From Others and Deferred Revenue	—	—	61	—	79	—	—	—	—
Other Liabilities	7	35	60	—	—	—	61	—	—
Total Other than Intralocal Governmental Liabilities	64	44	127	—	81	16	61	—	4
Total Liabilities	73	44	128	—	81	16	61	—	4

Unexpended Appropriations

Unexpended Appropriations	—	—	—	—	—	—	—	—	847
Cumulative Results of Operations	117	884	533	120	375	446	137	160	116

Total Liabilities and Net Position

Total Liabilities and Net Position	190	928	661	120	456	462	198	160	967
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STATEMENT OF NET COST

Gross Program Costs	257	1,280	280	5	92	78	70	—	127
Less Earned Revenues	229	11	1,056	17	102	—	68	(36)	—
Net Cost of Operations	28	1,269	(776)	(12)	(10)	78	2	36	127

STATEMENT OF CHANGES IN NET POSITION

Unexpended Appropriations:

Beginning Balance	—	—	—	—	—	—	—	—	716
Appropriations Received	—	—	—	—	—	—	—	—	—
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	(154)
Total Unexpended Appropriations	—	847							

Cumulative Results of Operations:

Beginning Balances	89	687	398	108	364	400	177	194	49
Appropriations Used	—	—	—	—	—	—	—	—	154

Other than Intralocal Governmental Non-exchange Revenue:

Miscellaneous Taxes and Receipts	1	—	—	—	—	—	—	—	—
Total Other than Intralocal Governmental Non-exchange Revenue	1	—							

Intralocal Governmental Non-exchange Revenue	3	—	—	—	—	—	—	—	—
Donations and Forfeitures of Cash & Property	—	—	—	—	—	—	—	—	—
Transfers-In/out Without Reimbursement	—	1,466	(641)	—	—	124	—	—	40
Imputed Financing	52	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	(38)	2	—

Net Cost of Operations	(28)	(1,269)	776	12	10	(78)	(2)	(36)	(127)
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Net Change in Cumulative Results of Operations	28	197	135	12	11	46	(40)	(34)	67
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Total Cumulative Results of Operations	117	884	533	120	375	446	137	160	116
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Net Position, End of Period	\$ 117	\$ 884	\$ 533	\$ 120	\$ 375	\$ 446	\$ 137	\$ 160	\$ 963
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Funds from Dedicated Collections	FS											NIFA	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Consolidated Totals)			
	Payments to States, National Forests Fund	Recreation Fee Demonstration Program	Reforestation Trust Fund	Restoration of Forest Lands and Improvements	State and Private Forestry	Stewardship Contracting Product Sales	Timber Salvage Sales	Native American Institutions Endowment Fund									
BALANCE SHEET																	
Assets																	
Intrgovernmental Assets																	
Fund Balance with Treasury Investments, Net	\$ 254	\$ 189	\$ 443	\$ 281	\$ 319	\$ 89	\$ 91	\$ 19	\$ 335	\$ 4,870							
Accounts Receivable, Net	—	—	—	111	—	—	—	299	7	417							
Advances and Prepayments	—	—	4	1	—	—	—	—	—	13							
Other Assets	—	—	—	—	—	—	—	—	—	8							
Total Intrgovernmental Assets	254	189	447	393	319	89	91	318	342	6,175							
Other than Intrgovernmental Assets																	
Accounts Receivable, Net	—	3	—	—	—	46	—	—	—	10	248						
General Property, Plant, and Equipment, Net	2	1	2	4	—	—	1	—	4	234							
Advances and Prepayments	—	—	—	—	1	—	—	—	—	1							
Investments, Net	—	—	—	—	—	—	—	—	—	3	3						
Total Other than Intrgovernmental Assets	2	4	2	4	1	46	1	—	—	17	486						
Total Assets	256	193	449	397	320	135	92	318	359	6,661							
Liabilities																	
Intrgovernmental Liabilities																	
Other Liabilities	—	—	—	—	—	—	—	—	—	10							
Total Intrgovernmental Liabilities	—	—	—	—	—	—	—	—	—	10							
Other than Intrgovernmental Liabilities																	
Accounts Payable	—	1	2	—	—	1	—	—	—	1	35						
Federal Employee Salary, Leave and Benefits Payable	—	—	—	—	—	—	—	—	—	2	34						
Post-Employment Benefits Payable	—	—	—	—	—	—	—	—	—	—	32						
Advances From Others and Deferred Revenue	—	—	—	—	—	—	—	—	—	11	151						
Other Liabilities	67	—	—	—	—	4	—	—	—	7	241						
Total Other than Intrgovernmental Liabilities	67	1	2	—	—	5	—	—	—	21	493						
Total Liabilities	67	1	2	—	—	5	—	—	—	21	503						
Unexpended Appropriations	—	—	—	—	—	—	—	249	1	1,097							
Cumulative Results of Operations	189	192	447	397	320	130	92	69	337	5,061							
Total Liabilities and Net Position	256	193	449	397	320	135	92	318	359	6,661							
STATEMENT OF NET COST																	
Gross Program Costs	80	147	86	30	116	53	41	7	162	2,911							
Less Earned Revenues	163	139	—	2	—	74	33	10	223	2,091							
Net Cost of Operations	(83)	8	86	28	116	(21)	8	(3)	(61)	820							
STATEMENT OF CHANGES IN NET POSITION																	
Unexpended Appropriations:																	
Beginning Balance	—	—	—	—	—	—	—	237	1	954							
Appropriations Received	—	—	—	—	—	—	—	12	—	12							
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	—	285							
Appropriations Used	—	—	—	—	—	—	—	—	—	(154)							
Total Unexpended Appropriations	—	—	—	—	—	—	—	249	1	1,097							
Cumulative Results of Operations:																	
Beginning Balances	106	200	345	358	342	109	100	66	293	4,385							
Appropriations Used	—	—	—	—	—	—	—	—	—	154							
Other than Intrgovernmental Non-exchange Revenue:	—	—	—	—	—	—	—	—	—	—							
Miscellaneous Taxes and Receipts	—	—	—	2	—	—	—	—	—	3							
Total Other than Intrgovernmental Non-exchange Revenue	—	—	—	2	—	—	—	—	—	3							
Intrgovernmental Non-exchange Revenue	—	—	188	65	—	—	—	—	—	256							
Donations and Forfeitures of Cash & Property	—	—	—	—	—	—	—	—	—	1							
Transfers-In/out Without Reimbursement	—	—	—	—	94	—	—	—	—	(17)	1,066						
Imputed Financing	—	—	—	—	—	—	—	—	—	52							
Other	—	—	—	—	—	—	—	—	—	(36)							
Net Cost of Operations	83	(8)	(86)	(28)	(116)	21	(8)	3	61	(820)							
Net Change in Cumulative Results of Operations	83	(8)	102	39	(22)	21	(8)	3	44	676							
Total Cumulative Results of Operations	189	192	447	397	320	130	92	69	337	5,061							
Net Position, End of Period	\$ 189	\$ 192	\$ 447	\$ 397	\$ 320	\$ 130	\$ 92	\$ 318	\$ 338	\$ 6,158							

Note Disclosures Related to the Statement of Net Cost

NOTE 21: Suborganization Program Costs

FY 2025	FPAC Business Center	FSA	CCC	RMA	NRCS	FNS	FSIS	AMS	APHIS	FS
Farm Production and Conservation:										
Gross Costs	\$ 418	\$ 22,122	\$ 10,659	\$ 20,146	\$ 6,882	\$ —	\$ —	\$ —	\$ —	\$ —
Less: Earned Revenue	31	787	1,049	5,212	115	—	—	—	—	—
Net Costs	387	21,335	9,610	14,934	6,767	—	—	—	—	—
Food, Nutrition, and Consumer Services:										
Gross Costs	—	—	—	—	—	148,358	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	128	—	—	—	—
Net Costs	—	—	—	—	—	148,230	—	—	—	—
Food Safety:										
Gross Costs	—	—	—	—	—	—	1,649	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	274	—	—	—
Net Costs	—	—	—	—	—	—	1,375	—	—	—
Marketing and Regulatory Programs:										
Gross Costs	—	—	—	—	—	—	—	3,244	3,084	—
Less: Earned Revenue	—	—	—	—	—	—	—	368	1,382	—
Net Costs	—	—	—	—	—	—	—	2,876	1,702	—
Natural Resources and Environment:										
Gross Costs	—	—	—	—	—	—	—	—	—	13,298
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	953
Net Costs	—	—	—	—	—	—	—	—	—	12,345
Rural Development:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Research, Education, and Economics:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Trade and Foreign Agricultural Affairs:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Staff Offices:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Total Gross Costs	418	22,122	10,659	20,146	6,882	148,358	1,649	3,244	3,084	13,298
Less: Total Earned Revenue	31	787	1,049	5,212	115	128	274	368	1,382	953
Net Cost of Operations	\$ 387	\$ 21,335	\$ 9,610	\$ 14,934	\$ 6,767	\$ 148,230	\$ 1,375	\$ 2,876	\$ 1,702	\$ 12,345

FY 2025	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Combined Total	Intra-entity Eliminations	Consolidated Total
Farm Production and Conservation:										
Gross Costs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 60,227	\$ (2,060)	\$ 58,167
Less: Earned Revenue	—	—	—	—	—	—	—	7,194	(430)	6,764
Net Costs	—	—	—	—	—	—	—	53,033	(1,630)	51,403
Food, Nutrition, and Consumer Services:										
Gross Costs	—	—	—	—	—	—	—	148,358	(960)	147,398
Less: Earned Revenue	—	—	—	—	—	—	—	128	—	128
Net Costs	—	—	—	—	—	—	—	148,230	(960)	147,270
Food Safety:										
Gross Costs	—	—	—	—	—	—	—	1,649	(94)	1,555
Less: Earned Revenue	—	—	—	—	—	—	—	274	(19)	255
Net Costs	—	—	—	—	—	—	—	1,375	(75)	1,300
Marketing and Regulatory Programs:										
Gross Costs	—	—	—	—	—	—	—	6,328	(191)	6,137
Less: Earned Revenue	—	—	—	—	—	—	—	1,750	(90)	1,660
Net Costs	—	—	—	—	—	—	—	4,578	(101)	4,477
Natural Resources and Environment:										
Gross Costs	—	—	—	—	—	—	—	13,298	(290)	13,008
Less: Earned Revenue	—	—	—	—	—	—	—	953	(21)	932
Net Costs	—	—	—	—	—	—	—	12,345	(269)	12,076
Rural Development:										
Gross Costs	9,567	—	—	—	—	—	—	9,567	(89)	9,478
Less: Earned Revenue	3,918	—	—	—	—	—	—	3,918	(29)	3,889
Net Costs	5,649	—	—	—	—	—	—	5,649	(60)	5,589
Research, Education, and Economics:										
Gross Costs	—	2,145	247	2,169	104	—	—	4,665	(222)	4,443
Less: Earned Revenue	—	192	47	69	2	—	—	310	(196)	114
Net Costs	—	1,953	200	2,100	102	—	—	4,355	(26)	4,329
Trade and Foreign Agricultural Affairs:										
Gross Costs	—	—	—	—	—	1,127	—	1,127	(258)	869
Less: Earned Revenue	—	—	—	—	—	50	—	50	(38)	12
Net Costs	—	—	—	—	—	1,077	—	1,077	(220)	857
Staff Offices:										
Gross Costs	—	—	—	—	—	—	2,600	2,600	(402)	2,198
Less: Earned Revenue	—	—	—	—	—	—	1,647	1,647	(1,377)	270
Net Costs	—	—	—	—	—	—	953	953	975	1,928
Total Gross Costs	9,567	2,145	247	2,169	104	1,127	2,600	247,819	(4,566)	243,253
Less: Total Earned Revenue	3,918	192	47	69	2	50	1,647	16,224	(2,200)	14,024
Net Cost of Operations	\$ 5,649	\$ 1,953	\$ 200	\$ 2,100	\$ 102	\$ 1,077	\$ 953	\$ 231,595	\$ (2,366)	\$ 229,229

Note Disclosures Related to the Statement of Budgetary Resources

NOTE 22: Statement of Budgetary Resources

Adjustments to Prior Year's Ending Unobligated Balance Reported on Line 1020 of the SF-133

In FY 2025, AMS made adjustments of \$48 million to the Unobligated Balance Brought Forward, October 1 that will be reported on Line 1020 of the SF-133, Report on Budget Execution and Budgetary Resources.

Terms of Borrowing Authority Used

The Secretary of Agriculture has the authority to make and issue notes to the Secretary of the Treasury for the purpose of discharging obligations for RD's insurance funds and CCC's non-reimbursed realized losses and debt related to foreign assistance programs. The permanent indefinite borrowing authority includes both interest bearing and non-interest bearing notes. These notes are drawn upon daily when disbursements exceed deposits. Notes payable under the permanent indefinite borrowing authority have a term of one year. On January 1 of each year, USDA refinances its outstanding borrowings, including accrued interest, at the January borrowing rate.

In addition, USDA has permanent indefinite borrowing authority for the foreign assistance and export credit programs to finance disbursements on post-credit reform, direct credit obligations, and credit guarantees. In accordance with the Federal Credit Reform Act of 1990, as amended, USDA borrows from Treasury on October 1, for the entire fiscal year, based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower.

Repayment under this agreement may be, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort, to which the borrowings are associated. Interest is earned on the daily balance of uninvested funds in the credit reform financing funds maintained at Treasury. The interest income is used to reduce interest expense on the underlying borrowings.

USDA has authority to borrow from the FFB in the form of Certificates of Beneficial Ownership (CBOs) or loans executed directly between the borrower and FFB with an unconditional USDA repayment guarantee. CBOs outstanding with FFB are generally secured by unpaid loan principal balances. CBOs outstanding are related to pre-credit reform loans and no longer used for program financing.

FFB CBOs are repaid as they mature and are not related to any particular group of loans. Borrowings made to finance loans directly between the borrower and FFB mature and are repaid as the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations where an FFB funded loan is restructured and the terms of the loan are modified. Prepayments can be made on Treasury borrowings without a penalty; however, they cannot be made on FFB CBOs, without a penalty.

Funds may also be borrowed from private lending agencies and others. USDA reserves a sufficient amount of its borrowing authority to purchase, at any time, all notes and other obligations evidencing loans made by agencies and others. All bonds, notes, debentures, and similar obligations issued by the Department are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

Available Borrowing Authority, End of Period

Available borrowing authority at September 30, 2025 was \$67,150 million.

Undelivered Orders at the End of the Period

FY 2025	Federal		Non-Federal	
	\$	571	\$	281
Paid				
Unpaid		18,035		129,540
Total	\$	18,606	\$	129,821

Permanent Indefinite Appropriations

USDA has permanent indefinite appropriations available to fund (1) subsidy costs incurred under credit reform programs, (2) certain costs of the crop insurance program, (3) certain commodity program costs, (4) certain costs associated with FS programs, and (5) dairy indemnity payment program.

The permanent indefinite appropriations for credit reform are mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses in excess of premiums, and research and delivery costs.

The permanent indefinite appropriation for commodity program costs is used to encourage the exportation of agricultural commodities and products, to encourage domestic consumption of agricultural products by diverting them, and to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

FS has multiple permanent indefinite appropriations which are used to make improvements to national forests and grasslands. These include Payments to Counties (National Grasslands), Restoration of Forest Lands and Improvements, Reforestation Trust Fund, Recreation Fee Demonstration Program, Brush Disposal, Timber Roads, Timber Salvage Sales, and Maintenance of Quarters. All permanent indefinite appropriations are funded by receipts made available by law and are available until expended.

The FSA has a permanent indefinite appropriation for the Dairy Indemnity Payment Program to provide payments to dairy producers when a public regulatory agency directs them to remove their raw milk from the commercial market because it has been contaminated by pesticides and other residues.

Legal Arrangements Affecting Use of Unobligated Balances

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

Explanation of Differences Between the SBR and the Budget of the U.S. Government

The differences between the FY 2024 Statement of Budgetary Resources and the FY 2024 actual numbers presented in the FY 2026 Budget of the United States Government (Budget) are summarized below.

FY 2024	New Obligations & Upward Adjustments (Total)		Distributed Offsetting Receipts	Net Outlays
	Budgetary Resources			
Combined Statement of Budgetary Resources	\$ 471,227	\$ 279,549	\$ (5,937)	\$ 216,449
Reconciling Items:				
Expired Accounts	(126,532)	(12,643)	—	—
Adjustment to Correct Borrowing Authority Withdrawn and Obligations (CCC)	(92)	(69)	—	—
Milk Market Orders Fund	68	68	—	—
Rounding	(7)	(7)	—	1
Budget of the United States Government	\$ 344,664	\$ 266,898	\$ (5,937)	\$ 216,450

A comparison between the FY 2025 SBR and the FY 2025 actual numbers presented in the FY 2027 Budget cannot be performed as the FY 2027 Budget is not yet available. The Budget with the actual amounts for the current year (i.e., FY 2025) will be available at a later date on the [President's OMB Budget](#) website.

Note Disclosures Not Pertaining to a Specific Statement

NOTE 23: Incidental Custodial Collections

Custodial collections represent collections on land leases for resource extraction, National Forest Fund receipts from the sale of timber and other forest products, miscellaneous general fund receipts such as collections on accounts receivable related to canceled year appropriations, civil monetary penalties and interest, and commercial fines and penalties. Custodial collection activities are considered immaterial and incidental to the mission of the Department.

	FY 2025
Total Custodial Revenue:	
Sources of Cash Collections:	
Miscellaneous	\$ 255
Total Cash Collections	255
Accrual Adjustments	(18)
Total Custodial Revenue	<u>237</u>
 Disposition of Collections:	
Transferred to Others:	
Treasury	(228)
(Increase)/Decrease in Amounts Yet to be Transferred	<u>(9)</u>
Total Disposition of Collections	<u>(237)</u>
Net Custodial Activity	<u>\$ —</u>

NOTE 24: Fiduciary Activities

The department is responsible for one fiduciary fund. The Rural Housing Insurance Fund was established by P.L 89-117 pursuant to section 517 of title V of the Housing Act of 1949, which authorized RD to collect escrow payments on behalf of new and existing Single Family Housing borrowers. Other fiduciary activities by RD include but are not limited to collections from borrowers, interest paid on escrow accounts, and payments to insurance agencies and taxing authorities.

Schedule of Fiduciary Activity
For the years ended September 30, 2025

	Rural Housing Insurance Fund FY 2025
Fiduciary Net Assets, Beginning of Year	\$ 96
Contributions	562
Disbursements To and On Behalf of Beneficiaries	(589)
Increases/(Decrease) in Fiduciary Net Assets	(27)
Fiduciary Net Assets, End of Year	\$ 69

Fiduciary Net Assets
As of September 30, 2025

	Rural Housing Insurance Fund FY 2025
Fiduciary Assets:	
Cash and Cash Equivalents	\$ 69
Total Fiduciary Net Assets	\$ 69

NOTE 25: Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The reconciliation explains the relationship between the net cost of operations and net outlays by presenting (1) components of net cost that are not part of net outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities); (2) components of net outlays that are not part of net cost (e.g. acquisition of capital assets); and (3) other temporary timing difference (e.g. prior period adjustments due to correction of errors). The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

FY 2025

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (Revenue) Reported on the Statement of Net Cost	\$ 7,010	\$ 222,219	\$ 229,229
Components of Net Cost Not Part of the Budgetary Outlays:			
Property, Plant and Equipment Depreciation Expense	—	(502)	(502)
Property, Plant and Equipment Disposals and Revaluations	—	1	1
Lessee Lease Amortization	—	(148)	(148)
Cost of Goods Sold	—	(377)	(377)
Current Year Accrual Subsidy Cost Amount	2,540	—	2,540
Valuation Adjustments on Investments	42	—	42
Gains/Losses on all Other Investments	—	(1)	(1)
Exchange Revenue not Part of the SBR Outlays	263	781	1,044
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(22)	768	746
Loans Receivable, Net (Non-FCRA)	—	(130)	(130)
Securities and Investments	(1)	—	(1)
Other Assets	(280)	(32)	(312)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	340	(655)	(315)
Lessee Lease Liability	—	174	174
Insurance and Guarantee Program Liabilities	—	(1,391)	(1,391)
Environmental and Disposal Liabilities	—	(20)	(20)
Benefits Due and Payable	—	655	655
Federal Employee Salary, Leave, and Benefits Payable	—	(88)	(88)
Post-Employment Benefits Payable	—	(147)	(147)
Other Liabilities	(555)	744	189
Financing Sources:			
Imputed Cost	(1,932)	—	(1,932)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays:	395	(368)	27
Components of the Budget Outlays That Are Not Part of the Net Operating Cost:			
Acquisition of Capital Assets	14	627	641
Acquisitions of Inventory	—	368	368
Financing Sources:			
Donated Revenue	—	(5)	(5)
Transfers Out (In) Without Reimbursements	13	—	13
Total Components of the Budget Outlays that are not part of Net Operating Cost	27	990	1,017
Miscellaneous Items:			
Distributed Offsetting Receipts	(220)	(5)	(225)
Custodial/Non-exchange revenue	(338)	262	(76)
Non-Entity Activity	(2,550)	—	(2,550)
Other Temporary Timing Differences	—	30	30
Total Other Reconciling Items	(3,108)	287	(2,821)
Total Net Outlays	4,324	223,128	227,452
Budgetary Agency Outlays, Net		\$ 227,452	

In FY 2025, significant line items include Current Year Accrual Subsidy Cost mainly due to RD; Decrease in Insurance and Guarantee Program Liabilities mainly due to RMA estimated losses; and Non-Entity Activity mainly due to RD downward reestimates.

NOTE 26: Disclosure Entities and Related Parties

Disclosure Entities

Research and Promotion Boards

Research and Promotion (“checkoff”) programs are authorized by the Commodity Promotion, Research, and Information Act of 1996 and various Acts for specific commodities. Research and Promotion Board members are appointed by the Secretary. AMS is responsible for administrative oversight of Research and Promotion Programs to ensure fiscal accountability and program integrity.

AMS also conducts rulemaking and oversees the activities of Fruit, Vegetable, and Specialty Crop Marketing Order Commodity Boards, Councils, or Committees to ensure compliance with all legal and regulatory requirements. Marketing orders and agreements are authorized by the Agricultural Marketing Agreement Act of 1937.

These programs are not federally funded. In FY 2025, the non-federal costs of oversight for the Research and Promotion activities, including salaries and expenses, travel, and rent for office space were estimated to be \$7.9 million. Industry boards collect and manage assessments from industry members to conduct program activities.

Foundation for Food and Agricultural Research

The Secretary of Agriculture (Secretary) was authorized by the Agricultural Act of 2014, to establish a nonprofit corporation known as the Foundation for Food and Agriculture Research (FFAR). FFAR was officially established on July 23, 2014, during which the Secretary appointed a 15-member board of directors. To create funding, on the date of the enactment of this Act, the Secretary transferred \$200 million of the Commodity Credit Corporation funds, to the FFAR, to remain available until expended under the conditions stipulated. On the date on which the strategic plan was submitted, the Secretary transferred \$185 million of the Commodity Credit Corporation Funds, to the FFAR, to remain available until expended. The FFAR may use the funds made available to carry out the purposes of the FFAR and is expected to secure an equal amount of non-federal matching funds for each expenditure. None of the funds made available may be used for construction.

The purpose of FFAR shall be (a) to advance the research mission of the Department by supporting agricultural research activities focused on addressing key problems of national and international significance including: (i) plant health, production, and plant products; (ii) animal health, production, and products; (iii) food safety, nutrition, and health; (iv) renewable energy, natural resources, and the environment; (v) agricultural and food security; (vi) agriculture systems and technology; and (vii) agriculture economics and rural communities; (b) to foster collaboration with agricultural researchers from the Federal Government, State (as defined in Section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103)) governments, institutions of higher education (as defined in Section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001)), industry, and nonprofit organizations; and (c) to advance other incidental activities necessary to carry out and accomplish the foregoing missions enumerated.

FFAR shall also, in consultation with the Secretary (i), identify existing and proposed Federal intramural and extramural research and development programs relating to the purposes of the Foundation; and (ii) coordinate Foundation activities with those programs so as to minimize duplication of existing efforts and to avoid conflicts, specifically at the Department of Agriculture and document the consultation process and include a summary of the results in the annual report required in Section 5.

FFAR is managed under the direction of the Board of Directors (Board), which may exercise all such authority and powers of the Foundation and do all such lawful acts and things as provided by statute, the Articles of Incorporation, or the By-laws. The Board is composed of designated or appointed Ex Officio Directors (non-voting) and Appointed Directors (voting), appointed in accordance with the Agricultural Act or these By-Laws.

The ex-officio members of the Board consist of the following:

- (i) The Secretary
- (ii) The Under Secretary of Agriculture for Research, Education, and Economics
- (iii) The Administrator of the Agricultural Research Service
- (iv) The Director of the National Institute of Food and Agriculture
- (v) The Director of the National Science Foundation

The number of Appointed Directors may increase or decrease, from time to time, but at no time be less than fifteen and no more than twenty-one members. No employee of the Federal Government shall be an Appointed Director. The ex-officio members appoint 15 individuals to the Board by majority vote. The Board elects from among the members of the Board, an individual to serve as Chair of the Board and hires an Executive Director who shall carry out such duties and responsibilities as the Board may prescribe. The Executive Director shall ensure that any funds received are held in separate accounts from funds received from nongovernmental entities. The Board of Directors designate and appoint standing committees of the Board: an Executive Committee, a Governance and Federal Relations Committee, a Finance, Risk and Audit Committee, a Development Committee, and a Scientific Programs Committee. Committees consist of at least four appointed Directors possessing the qualifications determined necessary by the Board and shall be comprised solely of Members of the Board. The Finance, Risk and Audit Committee provides annual audits of its financial condition to the Secretary of Agriculture and the Comptroller General of the United States for examination or audit.

To ensure integrity in the operations of the FFAR, the Board developed and enforced procedures relating to standards of conduct, financial disclosure statements, conflicts of interest (including recusal and waiver rules), audits, and any other matters determined appropriate by the Board. Any individual who is an officer, employee, or member of the Board is prohibited from any participation in deliberations by the FFAR of a matter that would directly or predictably affect any financial interest of—

- (i) the individual;
- (ii) a relative (as defined in section 109 of the Ethics in Government Act of 1978 (5 U.S.C. App.109)) of that individual; or
- (iii) a business organization or other entity in which the individual has an interest, including an organization or other entity with which the individual is negotiating employment.

Members of the Board may not receive compensation for service on the Board but may be reimbursed for travel, the reasonable cost of meals and lodging, and other necessary expenses incurred in carrying out the duties of the Board.

Additional FFAR governance, financial, and audit reports can be located on the Governance – Foundation for Food & Agriculture Research (foundationfar.org) website.

Related Party

Milk Market Orders Assessment Fund

The Secretary of Agriculture is authorized by the Agricultural Marketing Agreement Act of 1937, as amended under certain conditions to issue federal milk marketing orders establishing minimum prices which handlers are required to pay for milk purchased from producers. There are currently 11 federally sanctioned milk market orders in operation. Market administrators are appointed by the Secretary and are responsible for carrying out the terms of specific marketing orders. Their operating expenses are financed by assessments on regulated handlers and partly by deductions from producers, which are reported to AMS. Most of these funds are collected and deposited in checking and savings accounts in local banks and disbursed directly by the market administrator. A portion of the funds collected may be invested in securities such as certificates of deposit. Expenses of local offices are met from an administrative fund and a marketing service fund, which are prescribed in each order. The administrative fund is derived from prorated handler assessments. The marketing service fund of the individual order disseminates market information to producers who are not members of a qualified cooperative. It also provides for the verification of the weights, sampling, and testing of milk from these producers. The cost of these services is borne by such producers. The maximum rates for administrative assessment and for marketing services are set forth in each order and adjustments below these rates are made from time to time upon recommendations by the market administrator and upon approval of the AMS to provide reserves at about a six-month operating level. Upon termination of any order, the statute provides for distributing the proceeds from net assets pro rata to contributing handlers or producers.

The AMS reports this account in the President's Budget because milk marketing administration staff are excepted service. Salaries, health insurance, Thrift Savings Plan contributions and all other federal benefits are paid by the marketing order funds and there are no costs to the Federal Government. As a result, corresponding dollars are reported for presentation purposes only. In FY 2025, the non-federal costs of administering federal milk marketing orders, including salaries and expenses, travel, and rent for office space were estimated to be \$78.3 million. The Secretary's oversight responsibilities of marketing orders by AMS is funded by the Funds for Strengthening Markets, Income and Supply (Section 32) account.

NOTE 27: Subsequent Events

Management is not aware of any events or transactions that have occurred subsequent to the balance sheet date, but prior to the issuance of the financial statements, that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements.

Note Disclosure Related to the Statement of Net Cost and Statement of Changes in Net Position

NOTE 28: Reclassification of Financial Statement Line Items for Financial Report Compilation Process

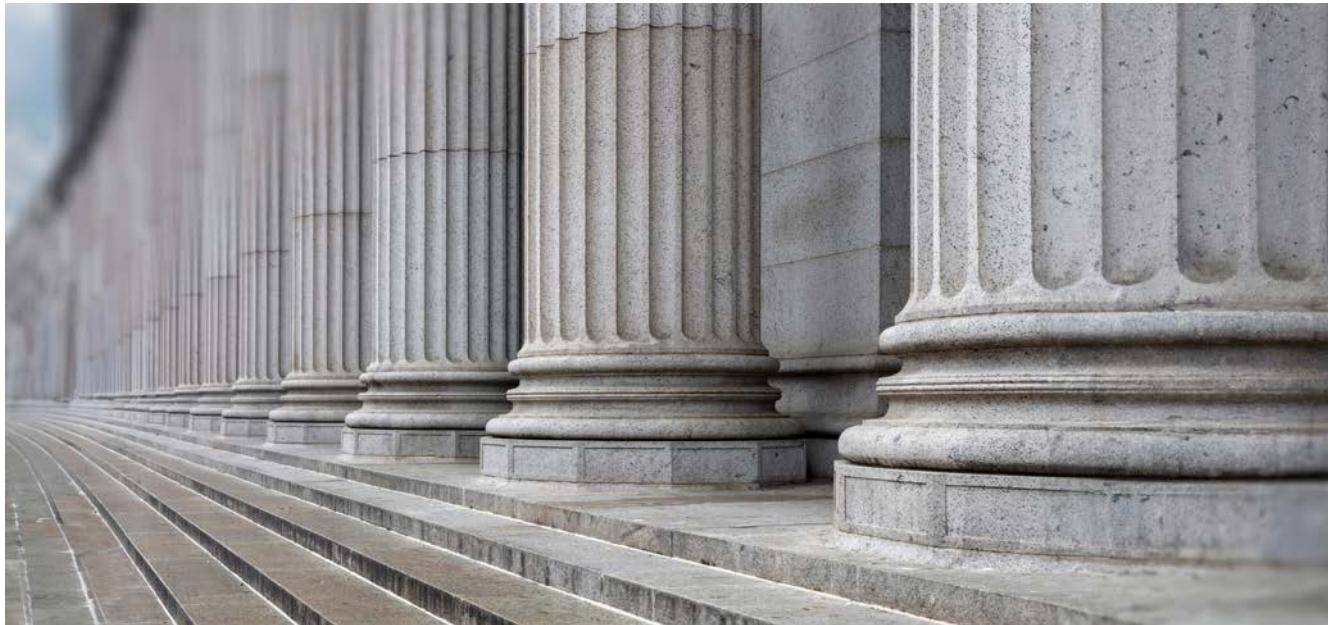
To prepare the Financial Report (FR) of the U.S. Government, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS.

Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the USDA's financial statements and the USDA's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items.

A copy of the 2024 FR can be found on the [Treasury's Reports, Statements and Publications](#) website and a copy of the 2025 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-federal" is used in this note to refer to Federal Government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, nonprofit entities, and State, local, and foreign Governments.



Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2025

FY 2025 USDA SNC		Line Items Used to Prepare FY 2025 Government-wide SNC	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement Line
Gross Costs			Gross cost \$ 230,742 Non-federal gross cost Federal gross cost 2,681 Benefit program costs (RC 26)/2 1,932 Imputed costs (RC25)/2 1,936 Buy/Sell Cost (RC24)/2 14 Purchase of assets (RC 24)/2 (14) Reconciling Item - Purchase of assets 5,252 Borrowing and other interest expense (RC05)/2 709 Other expenses (without reciprocals) (RC 29) 1 Reconciling Item - Rounding 12,511 Total federal gross cost 243,253 Department total gross cost
Total Gross Costs	\$ 243,253	243,253	
Earned Revenue			Earned revenue 12,340 Non-federal earned revenue (12) Reconciling Item - Custodial revenue - Non-federal earned revenue 12,328 Adjusted Non-federal earned revenue Federal earned revenue 588 Buy/sell revenue (exchange) (RC24)/2 14 Purchase of assets offset (RC 24) / 2 12 Federal securities interest revenue including associated gains and losses (exchange) (RC 03)/2 832 Borrowing and other interest revenue (exchange) (RC 05)/2 265 Collections transferred in to a TAS other than the general fund of the U.S. Government - exchange (RC 13) (14) Reconciling item - Purchase of assets (1) Reconciling Item - Custodial revenue - Buy/sell revenue (exchange) (RC24)/2 1,696 Total federal earned revenue 14,024 Department total earned revenue
Less: Total Earned Revenue	14,024	14,024	
Net Cost of Operations	\$ 229,229	\$ 229,229	Net cost of operations

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2025

Financial Statement Line	Amounts	FY 2025 USDA SCNP	
		Amounts	Reclassified Financial Statement Lines
Unexpended Appropriations:			
Beginning Balances	\$ 218,033	217,987	Net position, beginning of period
		46	Reconciling Item - Cross in FY 2024 ending unexpended appropriations and cumulative results of operations. Correction was made in FY 2025.
Appropriations Received	238,535	238,535	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1
		308	Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08) /1
		46	Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08) /1
Appropriations Transferred In (Out)	216	(46)	Reconciling Item - Cross in FY 2024 ending unexpended appropriations and cumulative results of operations. Correction was made in FY 2025.
Other Adjustments	(18,770)	(18,770)	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1
	(201,424)	(201,415)	Appropriations used (RC 39)
		(9)	
Appropriations Used		18,557	Net change in unexpended appropriations
Net Change in Unexpended Appropriations	18,557	18,557	
Total Unexpended Appropriations	236,590	236,590	Total unexpended appropriations
Cumulative Results of Operations:			
Beginning Balances	53,384	53,414	Net position, beginning of period
		16	GTAS manual adjustment for foreign currency treasury symbol.
		(46)	Reconciling Item - Cross in FY 2024 ending unexpended appropriations and cumulative results of operations. Correction was made in FY 2025.
Other Adjustments	(1,048)	1,048	Collections for others transferred to the General Fund of the U.S. Government (RC 44)
		13	Revenue and Other Financing Sources - Cancellations (RC 36)
		13	Reconciling - Custodial activity - collections for others transferred to the General Fund of the U.S. Government (RC 44)
Appropriations Used	201,424	201,415	
		9	Appropriations expended (RC 38)/1
		25	Other taxes and receipts
		4	Federal securities interest revenue including associated gains and losses (non-exchange) (RC 03) /1
Non-exchange Revenue	60,506	60,477	Collections transferred into a TAS other than the General Fund of the U.S. Government - Nonexchange (RC 15)
Donations and Forfeitures of Cash and Cash Equivalents	5	5	Other taxes and receipts
		231	Appropriation of unavailable special or trust fund receipts transfers-in (RC 07)/1
		13	Appropriation of unavailable special or trust fund receipts transfers-out (RC 07) /1
		45	Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08)/1
		985	Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08)/1
Transfers In (Out) Without Reimbursement	(676)	46	Reconciling Item - Cross in FY 2024 ending unexpended appropriations and cumulative results of operations. Correction was made in FY 2025.
Imputed Financing	1,933	1,933	Imputed financing sources (RC 25)/1
		(329)	Other taxes and receipts
		299	Reconciling item - custodial activity - other taxes and receipts
		248	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
		3,042	Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
		(236)	Reconciling item - Custodial revenue - Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
		(337)	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC48)
		(64)	Reconciling item - Custodial activity - accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC 48)
Other	(2,787)		
Net Cost of Operations	(229,229)	229,229	Net cost of operations
Net Change and Cumulative Results of Operations	30,128	30,128	Net change and cumulative results of operations
Total Cumulative Results of Operations	83,512	83,512	Cumulative results of operations
Net Position	\$ 320,102	\$ 320,102	Net position, end of period

Required Supplementary Information

Deferred Maintenance and Repairs (Unaudited)

The Forest Service is steward to nearly 193 million acres of national forests and grasslands within the NFS. On these NFS lands, the agency manages major assets that are categorized as PP&E, including nearly 40,000 administrative, recreation, and research buildings, over 1,100 communication systems, and approximately 30,000 recreational sites, such as campgrounds, picnic areas, trailheads, and interpretive sites.

Across the NFS, the agency also manages nearly 370,000 miles of roads, of which 65,000 miles are for passenger vehicles; over 165,000 miles of trails for motorized and non-motorized use; over 14,000 road and trail bridges; and over 1,500, dam structures.

ARS owns/manages approximately 16 million gross square feet of facility space in 2,966 buildings on 407,436 acres of land. APHIS operates approximately 28 facilities, which includes 396 buildings, in the United States and 14 facilities/buildings internationally. The NRCS portfolio of owned assets encompasses 25 sites, including 12 parcels of owned land, 209 buildings, and about 211 other structures.

Deferred Maintenance & Repairs (DM&R) estimates include capitalized PP&E, non-capitalized heritage assets, and non-capitalized or fully depreciated PP&E.

No DM&R is reported for stewardship land because land is considered to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose. Stewardship land easements are excluded from DM&R since ownership is retained by the landowner.

Defining and Implementing Maintenance and Repairs Policies in Practice

Assets are required to be maintained for safe use in accordance with maintenance criteria documented in their management objectives. These plans ensure assets are functioning as designed. Management objectives include plans for budgeting, scheduling, accomplishing, reporting, and evaluating maintenance, while prioritizing expenditure of limited funds. The plans also include condition assessments to track maintenance needs.

Policies for identifying DM&R activities for most assets, except roads, trails, and bridges, are based on condition surveys performed on a 5-year revolving schedule. The agency's DM&R for NFS passenger car roads and trails is determined every year from random sample surveys providing a moderate level of confidence that the DM&R total being reported represents the true DM&R. DM&R is not reported for roads that are not part of the passenger car system because maintenance needs on those roads are not as recurring and cyclical year over year. Road bridge inspections occur on a 2-year or 4-year revolving schedule.

ARS, APHIS, and NRCS use similar condition surveys to estimate DM&R on all major classes of its PP&E and heritage assets.

Ranking and Prioritizing Maintenance and Repairs Activities

Maintenance and repair activities are prioritized based on the asset's importance to the agency's mission. Condition surveys help the Forest Service know what maintenance needs an asset has and document threats to public health or safety or a natural resource. The Forest Service National Asset Management Program prioritizes maintenance, repair, and real property activities by determining how important a project is to the agency mission. This allows the Forest Service to analyze project benefits and asset value under constrained budget scenarios. The set of highest scoring projects meeting agency needs across its geography and multiple mission areas are prioritized for funding.

Factors Considered in Setting Acceptable Condition

The standards for acceptable operating condition for various classes of PP&E and heritage assets are as follows:

Conditions of roads and bridges within the NFS road system are measured by various standards:

- Federal Highway Administration regulations for the Federal Highway Safety Act.
- Best management practices for the nonpoint source provisions of the Clean Water Act from U.S. Environmental Protection Agency and States.
- Road management objectives developed through the National Forest Management Act forest planning process.
- Forest Service directives—Forest Service Manual (FSM) 7730, Operation and Maintenance; Forest Service Handbook (FSH) 7709.56a, Road Preconstruction, and FSH 7709.56b, Transportation Structures Handbook.

Dams in the NFS are managed according to FSM 7500, Water Storage and Transmission, and FSH 7509.11, Dams Management Handbook. The condition of a dam is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public. For dams to be rated in acceptable condition, the agency needs to restore the dams to the original functional purpose, correct unsightly conditions, or prevent more costly repairs.

Buildings in the NFS comply with the International Family of Building and Related Codes, the National Fire Protection Association Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration as determined by condition surveys and safety inspections. These requirements are found in FSM 7310, Buildings and Related Facilities.

Recreation facilities in the NFS are located within recreation sites that range from highly developed sites to general forest areas such as campgrounds, trailheads, trails, water and wastewater systems, interpretive facilities, and visitor centers. Recreation sites are managed in accordance with federal laws and regulations (Code of Federal Regulations [CFR] 36). Detailed management guidelines are contained in FSM 2330, Publicly Managed Recreation opportunities, and forest- and regional-level user guides. Quality standards for developed recreation sites in the NFS were established as Meaningful Measures for health and cleanliness, settings, safety and security, responsiveness, and the condition of the facility.

Trails and trail bridges in the NFS are managed according to federal law and regulations (CFR 36). More specific direction is contained in FSM 2350, Trail, River, and Similar Recreation Opportunities, and the FSH 2309.18, Trails Management Handbook.

ARS, APHIS, and NRCS define acceptable condition in accordance with standards comparable to those used in private industry for buildings and other structures.

Deferred Maintenance and Repair Costs

Asset Category	FY 2025 Ending Balance	FY 2025 Beginning Balance
PP&E	\$ 12,681	\$ 12,067
Heritage Assets	471	443
Total	\$ 13,152	\$ 12,510

DM&R costs increased slightly in FY 2025 across all categories within PP&E except Road Bridges. Numerous bridges were placed into storage or disposed of causing a reduction in deferred maintenance. Additional deferred maintenance increases are due to continued deterioration of aging assets, and inflation not allowing funding for maintenance projects to reach as many assets.

Funding from the Great American Outdoors Act – Legacy Restoration Fund allowed the agency to address \$69.8 million of the deferred maintenance over the last year by completing 95 projects.



Combining Statement of Budgetary Resources (Unaudited)

FY 2025	FPAC Business Center	FSA		CCC		RMA		NRCS		FNS		FSIS		AMS		APHIS	
		Non- Budgetary Credit Reform Financing Accounts		Non- Budgetary Credit Reform Financing Accounts		Budgetary		Budgetary		Budgetary		Budgetary		Budgetary		Budgetary	
		Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)		\$ 65	\$ 3,734	\$ 319	\$ 492	\$ 224	\$ 605	\$ 9,071	\$ 150,580	\$ 86	\$ 1,947	\$ 2,832					
Appropriations (Discretionary and Mandatory)		313	36,584	49	1,675		13,957	5,787	153,894	1,233	2,012	2,119					
Borrowing Authority (Discretionary and Mandatory)				4,691	26,437	430											
Spending Authority from Offsetting Collections (Discretionary and Mandatory)		12	318	2,989	196	212	7,269	89	128	252	222	337					
Total Budgetary Resources		390	40,636	8,048	28,800	866	21,831	14,947	304,602	1,571	4,181	5,288					
New Obligations and Upward Adjustments (Total)		356	23,979	5,047	27,553	375	21,222	7,108	160,283	1,471	2,396	2,939					
Unobligated Balance, End of Year																	
Apportioned, Unexpired Accounts		19	15,800	2,693	985	104	596	5,143	16,180	88	1,404	2,315					
Exempt from Apportionment, Unexpired Accounts												110					
Unapportioned, Unexpired Accounts		62	308	247	387	9	56	39				233	4				
Unexpired, Unobligated Balance, End of Year		19	15,862	3,001	1,232	491	605	5,199	16,219	88	1,747	2,319					
Expired Unobligated Balance, End of Year		15	795		15		4	2,640	128,100	12	38	30					
Unobligated Balance, End of Year (Total)		34	16,657	3,001	1,247	491	609	7,839	144,319	100	1,785	2,349					
Total Budgetary Resources		390	40,636	8,048	28,800	866	21,831	14,947	304,602	1,571	4,181	5,288					
Outlays, Net (Total) (Discretionary and Mandatory)		338	21,001		7,119		13,927	6,367	148,426	1,243	3,056	2,596					
Distributed Offsetting Receipts (-)			(715)		(31)		(2)	(8)	(18)	(231)	(49)						
Agency Outlays, Net (Discretionary and Mandatory)		\$ 338	\$ 20,286		\$ 7,088		\$ 13,927	\$ 6,365	\$ 148,418	\$ 1,225	\$ 2,825	\$ 2,547					
Disbursements, Net (Total) (Mandatory)				\$ 1,816		\$ (93)											

FY 2025	FS	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Total	
	Non-Budgetary Credit Reform Financing Accounts								Non-Budgetary Credit Reform Financing Accounts	
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	\$ 9,393	\$ 13,125	\$ 4,657	\$ 457	\$ 20	\$ 474	\$ 5	\$ 2,005	\$ 195,920	\$ 5,200
Appropriations (Discretionary and Mandatory)	16,976	6,729		1,837	187	1,891	91	469	10,059	255,813
Borrowing Authority (Discretionary and Mandatory)			21,846							26,437
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	609	632	11,645	171	43	54	12	1,726	12,070	14,846
Total Budgetary Resources	26,978	20,486	38,148	2,465	250	2,419	96	2,486	12,814	490,240
										47,062
New Obligations and Upward Adjustments (Total)	14,392	17,056	27,841	2,029	250	1,561	88	1,546	2,611	286,840
Unobligated Balance, End of Year										33,263
Apportioned, Unexpired Accounts	11,104	3,296	10,306	396		819	5	897	492	59,539
Exempt from Apportionment, Unexpired Accounts										13,103
Unapportioned, Unexpired Accounts	1,417	5	1	4		10		7	9,652	11,745
Unexpired, Unobligated Balance, End of Year	12,521	3,301	10,307	400		829	5	904	10,144	71,394
Expired Unobligated Balance, End of Year	65	129		36		29	3	36	59	132,006
Unobligated Balance, End of Year (Total)	12,586	3,430	10,307	436		858	8	940	10,203	203,400
Total Budgetary Resources	26,978	20,486	38,148	2,465	250	2,419	96	2,486	12,814	490,240
										47,062
Outlays, Net (Total) (Discretionary and Mandatory)	12,205	7,824		1,911	181	2,108	88	870	871	230,131
Distributed Offsetting Receipts (-)	(832)	(1,819)		(15)		(35)		(2)	1,078	(2,679)
Agency Outlays, Net (Discretionary and Mandatory)	\$ 11,373	\$ 6,005		\$ 1,896	\$ 181	\$ 2,073	\$ 88	\$ 868	\$ 1,949	\$ 227,452
Disbursements, Net (Total) (Mandatory)			\$ 4,181							\$ 5,904

Land (Unaudited)

Forest Service

The Forest Service is steward to over a 193 million acres of PP&E lands and Stewardship lands encompassing national forests and grasslands which provides a wide range of economic, social, and environmental benefits. The Forest Service also administers approximately 1.6 million acres of permanent land rights. The mission of the Forest Service is to sustain the health, diversity, and productivity of the nation's forests and grasslands to meet the needs of present and future generations. The Forest Service achieves this mission through active land management practices supported by science and focused on conservation, preservation, multiple use, and sustained yield.

Forest Service PP&E lands are predominantly acquired for the construction and or use of buildings to support Forest Service goals which include but are not limited to protection of water quality, habitat for wildlife and fisheries, forest health, recreation, and forest products.

Forest Service Stewardship lands are predominantly used to achieve land management goals which include but are not limited to protection of water quality, habitat for wildlife and fisheries, forest health, recreation, and forest products.

Land and land rights acquired by the Forest Service are predominantly permanent in nature and are fee title or less-than-fee interests.

Forest Service lands and permanent land rights are assigned to one of three sub-categories based on predominant use and are reported in estimated acres of land. The three sub-categories are commercial use land; conservation and preservation land; and operational land.

Commercial use land or land rights are predominantly used to generate inflows of resources from non-federal third parties. Forest Service has broad authority to issue various special use authorization types and collect fees for the use of NFS land. These authorized uses do not represent the predominate use of NFS lands and they are infrequent in location and temporary in nature.

Conservation and preservation land or land rights are used for protection and proper use of natural resources or preservation of buildings, objects, and landscapes from use. Examples of land conserved or preserved for significant natural, historic, scenic, cultural, and recreational resources include geologic resource sites, wildlife and plant life refuges, archeological resource sites or local Native American or ethnic cultural sites.

Operational land and land rights are used predominately for general or administrative purposes including scientific functions such as conducting and managing research, experimentation, and operations; and other related functions that are administrative or other mission related in nature including office building locations.

Agricultural Research Service

ARS has 391,698 acres of land including 78,499 acres of federally owned land and 313,199 acres of Public Domain land used for research, finding scientific solutions to national and global agricultural challenges. ARS is holding 70 acres of land for disposal at Glenn Dale, MD.

Animal and Plant Health Inspection Service

APHIS owns approximately 1,162 acres of land used primarily for research and development facilities in support of our mission to protect American Agriculture. The largest acreage is the land at Moore Air base used to house the Insect Management and Molecular Diagnostics Laboratory. The laboratory is responsible for developing and validating technologies used to detect and diagnose plant pests.

Natural Resources Conservation Service

NRCS owns PP&E land on twelve locations. NRCS-owned land for eleven PMCs is used to evaluate plants and develop vegetative information used by NRCS and others to implement and manage natural resources conservation practices. PMC land is used for seed and plant production, for plant studies, for demonstration areas, and for buildings and facilities to support PMC activities. PMC land not usable for these purposes may be managed as natural areas to provide buffers between PMC operations and other areas. PMCs manage land resources consistent with NRCS conservation practices to maintain soil, water, and other natural resources, and ensure the land is acceptable for future PMC activities.

NRCS has one small parcel of land (0.2 acres), obtained from another federal agency in 1955, that houses a storage unit used for field office supplies. The parcel, located in a residential/mixed use area, is maintained in accordance with local requirements.

Stewardship land consists of conservation easements acquired under a variety of easement programs and authorities. NRCS's mission objectives in administering the conservation easement programs are to provide landowners with financial and technical assistance in return for maintaining and improving high quality productive soils, clean and abundant water, healthy plant and animal communities, clean air, an adequate energy supply, and working farm and ranch land.

USDA stewardship land easement acreage accurately reflects the number of acres under USDA stewardship land easement as of September 30, 2025. However, for the reasons discussed in this section, this number may be adjusted in future reports.

Early stewardship land conservation easements were acquired without the benefit of being professionally surveyed. Although the best technology at the time was utilized to determine easement size, there is variation to the accuracy of those methods compared to present day surveying techniques. Presently, all USDA stewardship land conservation easements are surveyed by licensed surveyors to determine the size of the easement.

While these surveys provide an accurate report of the size of the easement, USDA is continually making efforts to enhance its survey standards and requirements to reflect survey equipment improvements and ensure accurate reporting.

Annual monitoring of stewardship land conservation easements allows NRCS to observe situations that may lead to the need for an updated survey. For example, lack of signage on an easement boundary or other circumstances that result in undefined easement boundaries often precipitate encroachment by adjacent landowners and violations of the terms of the easement. In order to reduce the frequency of these encroachments and easement violations, USDA stewardship land easements occasionally require new surveys to reestablish the easement boundaries. Because these boundary reestablishment surveys are conducted under the most current survey standards and requirements, the new survey may reflect a change in the acres as originally reported for that particular easement which may result in adjustment in the reporting of USDA stewardship land easement acreage.

In addition, the 2014 Farm Bill granted authority to NRCS to amend USDA stewardship land easements through an easement administration action. If approved, the resulting amendment may result in an increase in the reported USDA stewardship land easement acreage, or, in the case of an authorized easement termination, a reduction in the easement and acre count. Finally, though rare, litigation involving existing USDA stewardship land easements may result in the termination of an easement or a modification to the boundary of an easement, both of which would result in an adjustment to the reported USDA stewardship land easement acreage.

Of the Stewardship Land, 3.3 million acres are of a permanent duration. The remaining approximately 479 thousand acres are considered temporary, ranging from 30 to 99 years in duration. There are no costs associated with the maintenance of these land rights.



Estimated Acreage by Predominant Use FY 2025
(in Acres)

PP&E Land	Beginning Balance				Current Year Activity				Ending Balance			
	Conservation and Preservation		Commercial Use	FY 2025 Beginning Balance	Conservation and Preservation		Commercial Use	Current Year Activity	Conservation and Preservation		Commercial Use	FY 2025 Ending Balance
	Operational	Commercial Use		Operational	Commercial Use		Operational	Commercial Use	Operational	Commercial Use		
Forest Service	343	1,365,049	—	1,365,392	3	444,651	—	444,654	346	1,809,700	—	1,810,046
Agricultural Research Service	—	77,885	—	77,885	—	614	—	614	—	78,499	—	78,499
Animal and Plant Health Inspection Service	—	1,162	—	1,162	—	—	—	—	—	1,162	—	1,162
Natural Resources Conservation Service	—	1,900	—	1,900	—	—	—	—	—	1,900	—	1,900
Total Estimated Acreage	343	1,445,996	—	1,446,339	3	445,265	—	445,268	346	1,891,261	—	1,891,607
Held for Disposal or Exchange (also included in the balance above)												
Forest Service	—	94	—	94	—	124	—	124	—	218	—	218
Agricultural Research Service	—	70	—	70	—	—	—	—	—	70	—	70
Total Estimated Acreage	—	164	—	164	—	124	—	124	—	288	—	288
Stewardship Land	Beginning Balance				Current Year Activity				Ending Balance			
	Conservation and Preservation		Commercial Use	FY 2025 Beginning Balance	Conservation and Preservation		Commercial Use	Current Year Activity	Conservation and Preservation		Commercial Use	FY 2025 Ending Balance
	Operational	Commercial Use		Operational	Commercial Use		Operational	Commercial Use	Operational	Commercial Use		
Forest Service	191,791,005	1,168,859	396,233	193,356,097	(310,650)	38,197	(106,276)	(378,729)	191,480,355	1,207,056	289,957	192,977,368
Agricultural Research Service	—	313,199	—	313,199	—	—	—	—	—	313,199	—	313,199
Natural Resources Conservation Service	3,735,656	—	—	3,735,656	26,833	—	—	26,833	3,762,489	—	—	3,762,489
Total Estimated Acreage	195,526,661	1,482,058	396,233	197,404,952	(283,817)	38,197	(106,276)	(351,896)	195,242,844	1,520,255	289,957	197,053,056
Held for Disposal or Exchange (also included in the balance above)												
Forest Service	—	490	—	490	—	155	—	155	—	645	—	645
Total Estimated Acreage	—	490	—	490	—	155	—	155	—	645	—	645

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UNITED STATES DEPARTMENT OF AGRICULTURE



OTHER INFORMATION

SECTION III

Summary of Financial Statement Audit and Management Assurances

Summary of Existing Material Weaknesses

The Department of Agriculture's material weakness as related to management's assurance for the FMFIA and the certification for FFMIA, are listed in Exhibit 14 and Exhibit 15.

Exhibit 14: Summary of Financial Statement Audit

Audit Opinion: Modified

Restatement: No

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Management	1	1			2
Information Technology Security and Controls	1	1		1	3
TOTAL MATERIAL WEAKNESSES	2	2		1	5

The financial management material weaknesses involve the Food Nutrition Service (FNS) and Rural Development (RD). The existing material weakness with FNS is due to a change in the obligation recognition point for SNAP, which occurred at the end of FY 2023 and was further examined by OIG in FY 2024 and FY 2025. The new material weakness involves RD and is the result of OIG's limited investigation that identified deficiencies in unliquidated obligations (ULO). The Information Technology Security and Controls material weakness is associated with OCIO and is a continuation of the material weakness from FY 2024 for which the FISMA audit remains open. The FY 2025 FISMA audit resulted in the issuance of additional recommendations to address identified deficiencies. In addition, the consolidated audit material weakness is the result of three elevated control deficiencies that were identified for the period ending on June 30, 2025.

Exhibit 15: Summary of Management Assurances

A. Effectiveness of Internal Control Over Reporting (FMFIA § 2)¹

Statement of Assurance: Modified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management		1				1
TOTAL MATERIAL WEAKNESSES		1				1

The new material weakness was found during Rural Development's FY 2025 Financial Statement Audit. The material weakness is related to the Unliquidated Obligation (ULO) Review process over Internal Control over Financial Reporting.

B. Effectiveness of Internal Control Over Operations (FMFIA § 2)

Statement of Assurance: Modified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management	1					1
Information Technology	1	1		1		3
TOTAL MATERIAL WEAKNESSES	2	1		1		4

The financial management material weakness is associated with FNS because of SNAP's change in obligation recognition point, which occurred at the end of FY 2023 and was further examined by OIG during fiscal year 2024 and 2025. The lead agency for the Information Technology material weakness is the Office of the Chief Information Officer. The material weakness beginning balance was the result from the FY 2024 FISMA Audit, which remains open. The new material weakness is the result of the FY 2025 FISMA audit with 11 recommendations issued. The consolidated audit material weakness is from three elevated control deficiencies that were identified for the period ending on June 30, 2025.

¹ This footnote is related to FNS's carry over material weakness. In the FY 2023 Agency Financial Report, the Financial Management material weakness was reported in Exhibit 16.A Effectiveness of Internal Control Over Reporting (FMFIA § 2). The correct reporting is Effectiveness of Internal Control Over Operations (FMFIA § 2), which is correct for FY 2024.

C. Conformance with Federal Financial Management System Requirements (FFMIA § 4)

Statement of Assurance: Unmodified

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	0					0
TOTAL NON-CONFORMANCES	0					0

D. Compliance with Section 803 (A) of the FFMIA

Item	Agency	Auditor
1 Federal Financial Management System Requirements	Lack of substantial compliance noted *	Lack of substantial compliance noted
2 Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3 U.S. Standard General Ledger at Transaction Level	Lack of substantial compliance noted **	Lack of substantial compliance noted

*OCIO's results in the FY 2024 FISMA Audit indicate a lack of substantial compliance with Federal Financial Management System Requirements. This is reported above as part of USDA's material weaknesses.

**CCC continues to work on addressing their noncompliance with the U.S. Standard General ledger at the Transaction Level.

Management and Performance Challenges

The Reports Consolidation Act of 2000 requires the Department of Agriculture Office of Inspector General (OIG) to report annually on the most serious management challenges the Department and its agencies and mission offices face. The Office of Inspector General sought to provide the Secretary and other policymakers with a streamlined report that improves clarity and highlights significant information.

The Office of Inspector General reported Fiscal Year (FY) 2025 Challenges is a look back into the period of June 1, 2022, through July 31, 2025, that aims to provide the Department areas where it could improve its efforts to achieve overall excellence for the Department. As a part of the FY 2025 Management Challenges review, one key challenge indicator and one emerging challenge indicator that were included in the 2024 Management Challenges report (Outreach and Climate Impact, respectively) were removed, and one new key challenge indicator (Supplemental Funding) was added. The Office of Inspector General also highlighted what they consider “key challenge area indicators” within the three areas to assist USDA when addressing the challenges:

- a. Ensuring Safety and Security;
- b. Providing Benefits; and
- c. Delivering Efficient Programs

The report mentions the addition of Food Safety and National Security as emerging challenge indicators, as they are potential areas of concern that may develop into key challenge indicators in upcoming years. The Office of Inspector General also amended the title of two key challenge indicators to better reflect their content. Finally, the Grants Oversight key challenge indicator was changed to Grants and Agreements Oversight, and the Financial Reporting key challenge indicator was changed to Financial Management and Reporting.

An example of the Department’s success in program process improvements include:

- July 2025, USDA announced its National Farm Security Action Plan to work with governors, state legislators, and other partners to fully integrate agriculture into the broader national security enterprise
- Progress in administration and oversight of grants and cooperative agreements resulted in the closure of 8 of the 14 prior year recommendations.

Summary of OIG Investigations & Outcomes

Management Challenge	Number of Investigations	Outcome(s) <i>Criminal, Civil, and/or Administrative</i>	Monetary Result <i>(in millions)</i>
Ensuring Safety	84	959	\$66.6
Providing Benefits	448	2,470	\$736.7
TOTAL	532	3,429	\$803.3

The following pages include the entire USDA 2025 Top Management Challenges Report for FY 2025. A full copy of the [OIG Report](#) is also available on the [Oversight.gov](#) website.



U.S. Department of Agriculture
Office of Inspector General



2025 USDA Top Management Challenges

September 2025





UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250



DATE: September 29, 2025
TO: The Honorable Brooke Rollins
Secretary
FROM: Janet Sorensen *Janet Sorensen*
Acting Inspector General
SUBJECT: 2025 USDA Management Challenges

In accordance with the Reports Consolidation Act of 2000, the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG) is issuing the 2025 USDA Top Management Challenges report. This annual publication summarizes what we consider the most significant management and performance challenges facing the Department. The report is organized into three major management challenge areas—Ensuring Safety and Security, Providing Benefits, and Delivering Efficient Programs. Each of these management challenge areas have key challenge indicators that are intended to aid the Department with improving program performance and operations.

We would like to express our appreciation to you and the Deputy Secretary for your support of our work and your commitment to excellence at USDA. We look forward to working with the Department to address these management challenges.

If you have any questions or would like to discuss these management challenges and related key challenge indicators, please contact me at 202-720-8001. You or your staff may also contact Craig Goscha, Acting Assistant Inspector General for Analytics and Innovation at 816-926-7644.

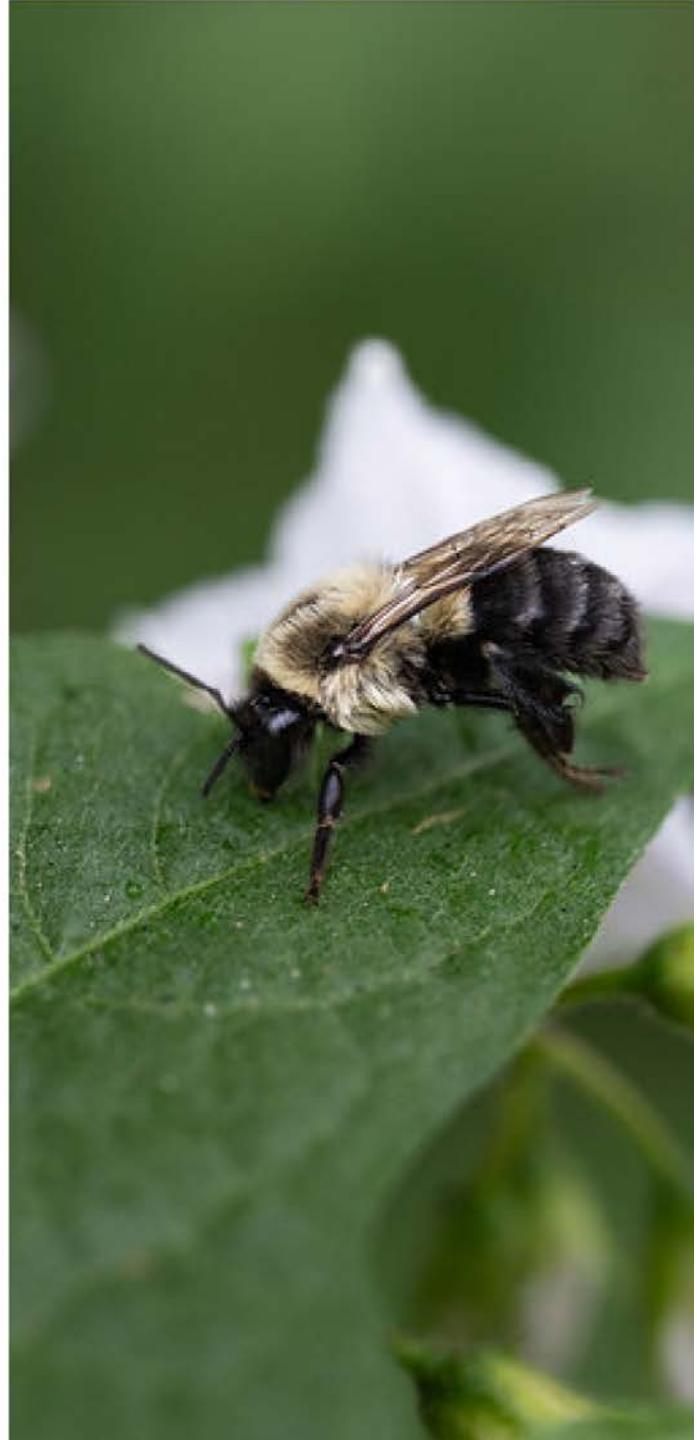
Attachment

cc:
Subcabinet Officials
Agency Administrators

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Bees and other pollinators documented at a park. The movement of pollen must occur for the plant to become fertilized and produce fruits, seeds, and young plants. USDA photo by Christophe Paul. This photo and all subsequent photos are from USDA's Flickr account and do not depict any specific audit or investigation.



Introduction and Approach

The Office of Inspector General (OIG)'s mission is to promote the economy, efficiency, and integrity of and to prevent and detect waste, fraud, and abuse regarding USDA's programs and operations. USDA OIG's work is accomplished through independent and objective audits, investigations, inspections, and reviews.

USDA's agencies and offices provide services to the American people related to food, agriculture, natural resources, rural development, nutrition, and other programs based on public policy, the best available science, and effective management. In accordance with the [Reports Consolidation Act of 2000](#), we are reporting what we consider to be the most significant management and performance challenges facing the Department.

Our report is organized into three major challenge areas. Each major challenge area contains "key challenge indicators," or areas of focus derived from our findings, that can assist USDA when addressing those challenges (see Figure 1). Our approach is intended to aid Departmental leadership by providing specific areas to



Figure 1. The top management challenges and key challenge indicators for USDA in 2025. OIG graphic.

address and resolve both broad and unique challenges that may affect multiple agencies. It also provides the Secretary and other policymakers with a streamlined report that improves clarity and gives significant information greater prominence.

This report is primarily based on our audits, inspections, final action verification reviews, investigations, and general knowledge in providing oversight of USDA's programs

and operations from June 1, 2022, through July 31, 2025.¹ To determine what qualified as a key challenge indicator, we assessed our audit and inspection report findings, open audit and inspection report recommendations, and the number of audit and inspection report recommendations closed within this timeframe.²

We also included criteria such as the Government Accountability Office's (GAO) high-risk list; GAO reports, recommendations, and priority recommendations; and closed OIG investigations. Audit products from the [2024 Management Challenges](#) report that still have open recommendations relevant

to the key challenge indicators are also included in this year's report.

Our 2024 Management Challenges report identified eight key challenge indicators and one emerging challenge indicator. This year, one key challenge indicator and one emerging challenge indicator that were included in the 2024 Management Challenges report (Outreach and Climate Impact, respectively) were removed because they no longer met the criteria articulated in the preceding paragraph. However, one new key challenge indicator, Supplemental Funding, was added to this 2025 Management Challenges report.

We also added Food Safety and National Security as emerging challenge indicators, as they are potential areas of concern that may develop into key challenge indicators in upcoming years. We also amended the title of two key challenge indicators to better reflect their content. The Grants Oversight key challenge indicator was changed to Grants and Agreements Oversight, and the Financial Reporting key challenge indicator was changed to Financial Management and Reporting.

Audit products from the [2024 Management Challenges](#) report that still have open recommendations relevant to this report are also included in this year's report. See Figure 2 for a graph of the open and closed recommendations for the 2025 key challenge indicators.

Figure 2. The number of open and closed recommendations for the 2025 key challenge indicators. OIG graphic.

¹ The Investigations data falls between October 1, 2022, through February 19, 2025.

² Some reports contained multiple findings. In some cases, each report's findings were categorized into different indicators. As such, a report may appear more than once under different indicators.

Challenge 1: Ensuring Safety and Security



In the food and agriculture sector, USDA plays a critical role in ensuring public health and safety. USDA activities focus on promoting the health and care of animals and plants; efficient cybersecurity and information technology (IT) in USDA agencies; ensuring the food and agriculture sector is secure and resilient in response to evolving threats; and enhancing public health and well-being by protecting the public from foodborne illness

and ensuring that the Nation's meat, poultry, and egg products are safe, wholesome, and correctly packaged.

The next section summarizes USDA's key challenge indicators in the areas of plant and animal health, cybersecurity and IT, and the emerging challenges in national security and food safety.

Plant and Animal Health

The Animal and Plant Health Inspection Service (APHIS) protects the health of U.S. agriculture and natural resources against invasive pests and diseases, regulates genetically engineered crops, administers the Animal Welfare Act (AWA), and helps people and wildlife coexist. APHIS also certifies the health of U.S. agricultural exports and resolves sanitary (animal) and phytosanitary (plant) issues to open, expand, and maintain markets for U.S. plant and animal products. Animal and Plant Health Regulatory Enforcement (APHRE) provides investigative, enforcement, and regulatory support services to APHIS.

OIG's work found that APHIS faces challenges with regulatory compliance and internal controls. We also continue to receive allegations related to AWA violations, including dogfighting, cockfighting, and other criminal violations related to the treatment of research and exhibition animals.

To continue protecting animal and plant health efficiently, APHIS must ensure it is compliant with regulations and strengthen its internal controls. Sustained compliance and robust internal controls protect American agriculture and agriculturally important resources. OIG also continues to work vigorously with our Federal, State, and local partners to resolve AWA allegations and ensure the individuals participating in this form of animal cruelty are brought to justice.

Issued Report Summary

Our 2025 report, [Animal Care Program Oversight of Dog Breeder Inspections](#), assessed whether dog breeders corrected previous noncompliances and whether APHIS carried out enforcement actions for substantiated AWA violations. We found that 80 percent of the dog breeders we visited had not fully corrected AWA noncompliances. Additionally, we found that APHIS did not timely address complaints received.

While we acknowledge that licensed dog breeders have the responsibility to comply with AWA and correct identified noncompliances, we determined that APHIS' inconsistent and untimely inspections may have also contributed to the dog breeders' continued violation of AWA requirements. As a result, continued noncompliance with AWA requirements poses a threat to the safety and well-being of the animals.

Finally, we determined that APHIS followed its process for carrying out enforcement action for breeders with substantiated AWA violations. APHIS agreed with our findings and recommendations, and we accepted management decision on all recommendations.



Plant and Animal Health: USDA OIG Highlighted Audit and Inspection Work



[Animal and Plant Health Inspection Service's Controls Over Hawaii Pre-Departure Agriculture Inspections](#) (Report 33601-0004-41, issued 7/22/2025)

[Animal and Plant Health Inspection Service's Horse Protection Act Inspection and Disqualification Processes at Horse Show Events](#) (Report 33801-0001-22, issued 6/17/2025)

[Animal Care Program Oversight of Dog Breeder Inspections](#) (Report 33601-0001-22, issued 2/3/2025)

[Animal and Plant Health Inspection Service Wildlife Services' Role in Administering the Mexican Wolf Recovery Program](#) (Report 33801-0001-31, issued 10/19/2023)

[Plant Pest and Disease Management and Disaster Prevention Program](#) (Report 33601-0001-21, issued 1/3/2023)

[Cattle Health Program Disease Incident Response](#) (Report 33601-0003-41, issued 11/28/2022)

Recommendation Progress
OIG issued 28 recommendations under this challenge indicator. As of July 31, 2025, 11 recommendations remain open.

- Plant and Animal Health: USDA OIG Highlighted Closed Investigations

OIG closed approximately 73 investigations involving animal and plant health during this time, obtaining approximately 907 criminal, 5 civil, and 13 administrative outcomes, with more than \$66.5 million in monetary results. Examples of these investigations include:

[Florida Man Sentenced for Dogfighting](#)

[Maryland Man Sentenced to Federal Prison in Connection with Multi-State Dogfighting Conspiracy](#)

[Former Department of Defense Deputy Chief Sentenced to Federal Prison for Dogfighting Charges](#)

[Animal Breeder Sentenced in Animal Welfare and Water Pollution Crimes, Will Pay More than \\$35 Million, Including Record Fine in Animal Welfare Case](#)

[Fifth Member of California Drug Ring Sentenced, Including Animal Welfare Charges](#)

[Five Georgia Men Sentenced to Federal Prison for Participating in a Dog Fighting Operation](#)

[Ohio Man Sentenced to 11 Years in Prison for Dogfighting and Drug Distribution](#)

[Louisiana Man Sentenced to More Than 3 Years in Prison for Dogfighting](#)

[California Dealer of Guns and Gamecocks Sentenced to over 7 Years in Prison](#)

[15+ Year Prison Sentence for Georgia Man in Dogfighting, Drug Conspiracy Case](#)

[Missouri Man Sentenced to 32 Years for Cattle Fraud Scheme That Led to Murders](#)



[Ohio Man Sentenced to More Than 10 Years in Prison for Dog Fighting, Drug Trafficking, and Illegal Possession of Firearms](#)

[Seven Alabama Residents Sentenced for Felony Violations of the Animal Welfare Act, Ending One of the Largest Cockfighting Operations in the Country](#)

Cybersecurity and Information Technology

USDA relies extensively on IT to accomplish its mission and manage the Department's procurement, property, and finances. IT enables and enhances USDA's ability to share information instantaneously through computers and networks, and these systems strengthen USDA's oversight and help ensure resources are used as effectively and efficiently as possible.

However, the Department's IT is also vulnerable to malicious activity and exploitation by internal and external sources. Insiders with malicious intent, recreational and institutional hackers, and attacks by foreign intelligence organizations are

significant threats to USDA's critical systems.



Within USDA, the Office of the Chief Information Officer (OCIO) is responsible for developing, delivering, and defending the business information technologies that empower every aspect of the Department's mission. OCIO supports USDA's agencies by offering agile, world-class technology solutions and applying innovative approaches. It also provides policy guidance, leadership and coordination for information management, technology investment, and cybersecurity activities. In FY 2026, USDA's budget estimates \$91 million to fund OCIO activities and operations.

Inspector General Assessed Maturity Levels for FISMA

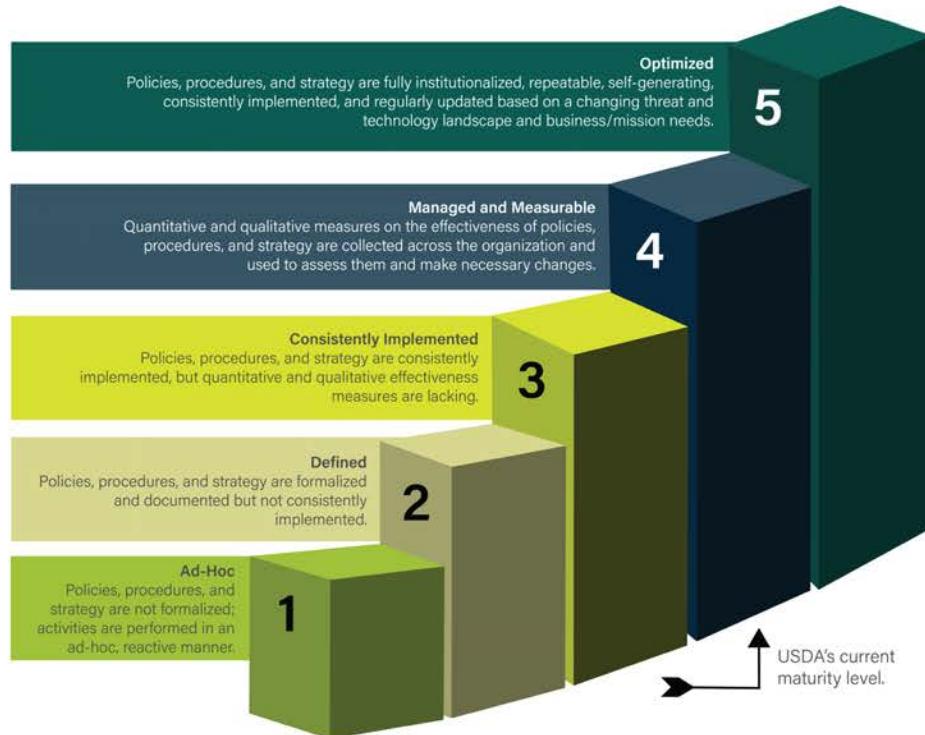


Figure 3. USDA reached the "Managed and Measurable" level for 2025. OIG graphic.

The Office of Management and Budget (OMB) establishes standards for an effective level of security and considers “Managed and Measurable” to be a sufficient level. Our work has found consistent weaknesses with IT-related initiatives since the Federal Information Security Modernization Act of 2014 (FISMA) was enacted. Until this year, the Department’s maturity level remained at the “Consistently Implemented” level for this timeframe, which indicates an ineffective level of security based on OMB’s criteria. However, USDA reached the “Managed and Measurable” level for FISMA in the 2025 report, as shown in Figure 3.

Overall, we found that USDA continues to face cybersecurity challenges. During the period, we identified a variety of issues, including insufficient security controls, security incidents not remediated in a timely manner, and outdated technologies. As a result, there is an increased risk these vulnerabilities could compromise the confidentiality, integrity, and availability of USDA’s IT data.

Managing USDA’s IT security is a considerable responsibility. Cybersecurity is vital to help protect USDA agencies from cyber threats and attacks. Cyberattacks can severely disrupt agricultural operations and affect the integrity of food supply chains or cause severe economic losses. The nature and abundance of agricultural data contribute to the heightened risk of these attacks. Improving the overall management and security of USDA’s IT resources and stakeholder information must be a top priority for the Department.

Issued Report Summary

Our 2025 report, [U.S. Department of Agriculture, Office of the Chief Information Officer,](#)



[Fiscal Year 2025 Federal Information Security Modernization Act](#), assessed the effectiveness of USDA’s information security program as Managed and Measurable (Level 4), which was effective according to the FY 2025 Inspector General (IG) FISMA Reporting Metric guidance. We made this determination based on assessing a majority of the IG Metrics as “Consistently Implemented” and “Managed and Measurable.” Specifically, Govern and Recover cybersecurity functions were assessed as “Consistently Implemented;” the Identify, Protect, and Detect cybersecurity functions were assessed as “Managed and Measurable;” and the Respond cybersecurity function was assessed as “Optimized.”

In total, we reported 6 new findings and made 11 recommendations related to these findings that, when implemented, should strengthen USDA’s information security program if effectively addressed by management. We also evaluated the implementation of recommendations identified in the FY 2022, FY 2023, and FY 2024 FISMA performance audits. We determined that 14 of 28 recommendations remained open, and 14 recommendations were closed by management. We validated the 14 closed recommendations as “effectively remediated.”

We caution that projecting the results of our performance audit to future periods is subject to the risk that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

↳ **Cybersecurity and Information Technology: USDA OIG Highlighted Audit and Inspection Work**

[U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2025 Federal Information Security Modernization Act](#) (Report 50503-0014-12, issued 7/29/2025)

[Fiscal Year 2024 Quarter 2 Security Evaluation](#) (Report 50801-0014-12, issued 6/10/2025)

[USDA's Management of Password Security](#) (Report 50801-0015-12, issued 5/22/2025)

[Review of Inventory and Information Security Controls for Excessing IT Equipment](#) (Report 50801-0013-12, issued 2/24/2025)

[USDA's Security Controls Over Industrial Control System](#) (Report 50801-0010-12, issued 11/21/2024)

[USDA's Compliance With the Geospatial Data Act for Fiscal Year 2024](#) (Report 50501-0027-12, issued 9/25/2024)

[Fiscal Year 2023 Quarter 4 Security Evaluation](#) (Report 50801-0011-12, issued 7/26/2024)

[U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2024 Federal Information Security Modernization Act](#) (Report 50503-0013-12, issued 7/25/2024)

[USDA's Management of Default Credentials](#) (Report 50801-0012-12, issued 6/3/2024)

[Fiscal Year 2023 Quarter 3 Security Evaluation](#)
(Report 50801-0009-12, issued 4/1/2024)



[Fiscal Year 2023 Quarter 3 Security Evaluation—Interim Report](#)
(Report 50801-0009-12(1), issued 1/17/2024)

[Security Over USDA Mobile Applications](#)
(Report 50801-0006-12, issued 9/26/2023)

[Independent Service Auditor's Report on the Office of the Chief Information Officer's Description of Its Data Center Hosting and Security Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the Period October 1, 2022 to June 20, 2023](#) (Report 88303-0002-12, issued 9/25/2023)

[Security Testing of a Selected USDA Network \(Fiscal Year 2023\)](#) (Report 50801-0005-12, issued 9/15/2023)

[USDA's Compliance with Binding Operational Directives 19-02 and 22-01](#) (Report 50801-0007-12, issued 8/17/2023)

[U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2023 Federal Information Security Modernization Act](#) (Report 50503-0011-12, issued 7/27/2023)

[Security Testing of a Selected USDA Network](#) (Report 50801-0004-12, issued 12/15/2022)

- ↳ **Cybersecurity and Information Technology: USDA OIG Highlighted Audit and Inspection Work (Continued)**

[U.S. Department of Agriculture, Office of Chief Information Officer, Fiscal Year 2022 Federal Information Security Modernization Act](#) (Report 50503-0009-12, issued 9/27/2022)

[Secure Configuration of USDA's Virtualization Platforms](#) (Report 50801-0003-12, issued 8/18/2022)

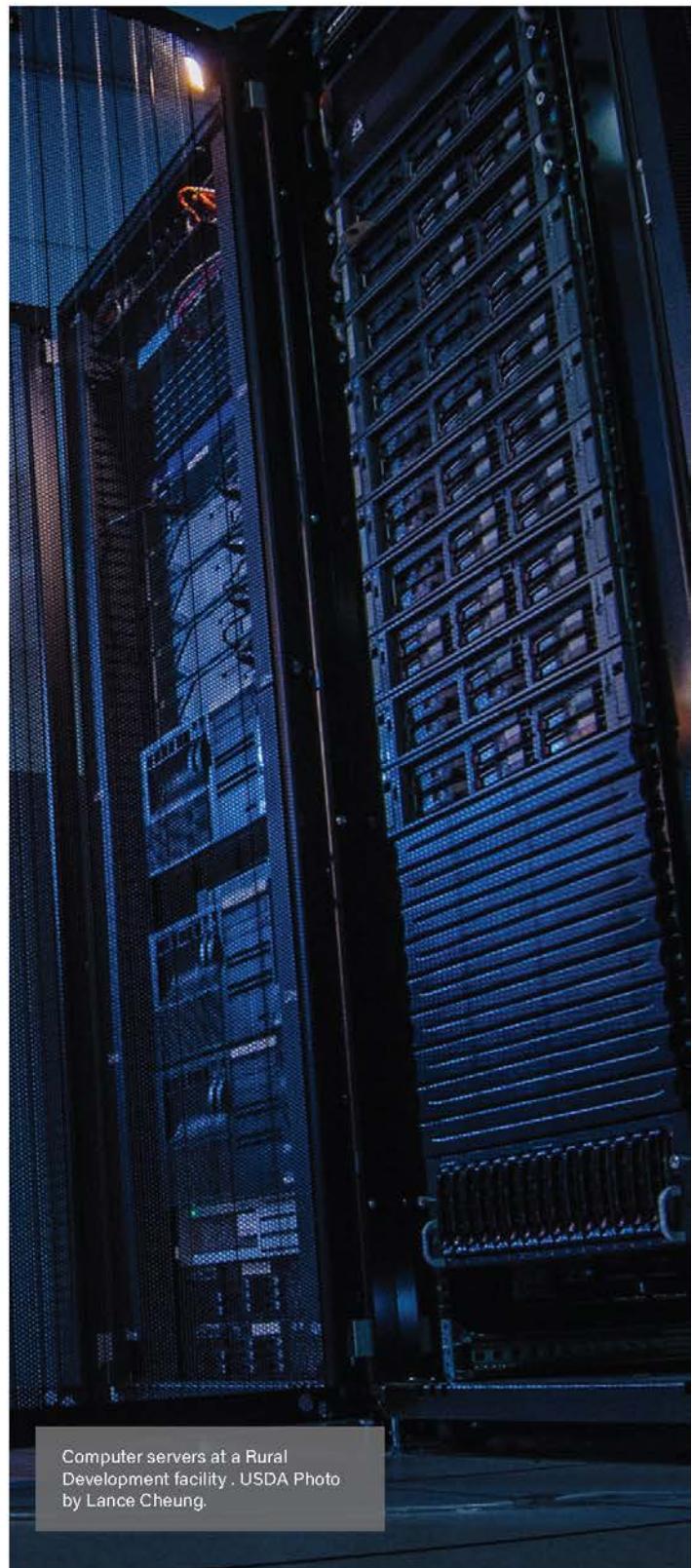
[Security Over USDA Web Applications*](#) (Report 50801-0002-12, issued 10/27/2021)

Recommendation Progress
OIG issued 124 recommendations under this challenge indicator. As of July 31, 2025, 44 recommendations remain open.

*A report from a previous Management Challenges report with open recommendations relevant to the key challenge indicator.

- ↳ **Cybersecurity and Information Technology: USDA OIG Highlighted Closed Investigations**

OIG closed approximately 11 investigations involving cybersecurity and IT during this time, obtaining approximately 4 criminal, 1 civil, 29 administrative outcomes, and \$157,700 in monetary results. No press releases are available for these cases.



Emerging Challenge Indicator: National Security

The food and agriculture sector is designated as one of the United States' critical infrastructures and is considered so vital that its incapacitation or destruction would have a debilitating effect on the nation's security, economic security, and public health or safety. This sector employs more than 1 in 10 American workers and contributes more than \$1.5 trillion to the U.S. annual gross domestic product. It is an extensive, interconnected, diverse, and complex system that is vulnerable to disruption and damage from domestic and global threats.

Potential threats to the food and agriculture sector include chemical, biological, radiological, nuclear, and cybersecurity. These potential threats may result in high-consequence and catastrophic incidents. For example, in a June 2025 case investigated by the Federal Bureau of Investigation and U.S. Customs and Border Protection, Federal prosecutors charged two Chinese nationals of allegedly smuggling a dangerous biological pathogen into the U.S. for research. This pathogen had the potential to be used as an agricultural terrorism weapon, which causes a disease in some crops responsible for billions of dollars in global economic losses each year. Recent OIG audits and inspections also included findings and recommendations related to U.S. food and agriculture sector threats. For example, we issued three reports between November 2024 and April 2025 that identified physical security weaknesses at USDA research facilities.

Additionally, [GAO issued a 2024 report](#) that found USDA did not share timely data on foreign investments in agricultural land collected under the Agricultural Foreign Investment Disclosure Act (AFIDA). These investments may have consequences for U.S. national security (e.g., there may be foreign ownership of U.S. agricultural land close to sensitive military installations).³ While USDA implemented AFIDA across field offices and headquarters, its processes to collect, track, and report key information were flawed. Without improving its internal processes, USDA could not report reliable information to Congress or the public about where and how much U.S. agricultural land was held by foreign persons.



The U.S. must ensure the food and agriculture sector is secure and resilient in response to evolving threats and better prepare for and respond to incidents with broad impacts on our national security. In recognition of threats to the U.S. food and agricultural sector, USDA announced its [National Farm Security Action Plan](#) on July 8, 2025. This Action Plan serves as the launching point for USDA to work with governors, state legislators, and other partners to fully integrate agriculture into the broader national security enterprise. It emphasized that farm security is national security and the need to protect and expand the resilience and durability of the U.S. food supply.

³ See GAO-24-106337, [FOREIGN INVESTMENTS IN U.S. AGRICULTURAL LAND: Enhancing Efforts to Collect, Track, and Share Key Information Could Better Identify National Security Risks](#).

Emerging Challenge Indicator: Food Safety

The Food Safety and Inspection Service (FSIS) is responsible for protecting the public's health by ensuring that meat, poultry, and egg products are safe, wholesome, and properly labeled. FSIS employees ensure food safety through the authorities of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, as well as humane animal handling through the Humane Methods of Slaughter Act. FSIS works with Federal, State, and local food safety partners to address emerging pathogens, detect foodborne hazards, and prevent foodborne illness. In 2024, FSIS inspection personnel conducted 7.7 million food safety and food defense procedures across 7,100 USDA-regulated establishments.

Our 2023 Management Challenges noted Food Safety as a key challenge indicator, but it was removed in 2024 due to USDA's progress in implementing prior OIG recommendations. However, from 2022 to the end of May of 2025, FSIS issued 239 food safety recalls and public health alerts. Of the 239 recalls and public health alerts, over 60 percent were Class I High or Medium Risk recalls, which FSIS defines as a "health hazard situation where there is a reasonable probability that the use of the product will cause serious, adverse health consequences or death."

In addition, Federal Oversight of Food Safety was added to the GAO high-risk list in 2007 and has remained on the list since then. Specifically, GAO notes the fragmentation of the Federal food safety

oversight system and stresses the need for a Governmentwide approach to reduce inconsistent oversight, ineffective coordination, and inefficient use of resources. In 2025, GAO made high-priority recommendations related to Federal food safety oversight, including developing a prioritization plan to fully document which products to address and the additional policies needed to effectively address pathogen reduction for *Salmonella* in meat and standards for *Campylobacter* in turkey parts.⁴



USDA's challenge is to remain vigilant and proactive in ensuring that American consumers receive safe, wholesome, and accurately labeled foods. To maintain the confidence of consumers, USDA's food safety agencies should continue to improve their food inspection strategies and technology systems and provide consistent, documented applications of statutes and regulations.

⁴ See GAO-25-107613, [FOOD SAFETY: USDA Should Take Additional Actions to Strengthen Oversight of Meat and Poultry](#); GAO-25-107606, [Food Safety: Status of Foodborne Illness in the U.S.](#); and GAO-25-108088, [Priority Open Recommendations: U.S. Department of Agriculture](#).

Challenge 2: Providing Benefits



USDA manages more than 300 programs that provide a variety of services to the American public, such as food and nutrition assistance programs, farm programs, crop insurance, grants and agreements, and more.

Effective oversight and monitoring of USDA's programs and operations are vital. This oversight ensures that funds reach those for whom they are intended and that programs operate efficiently, produce reliable results, and comply with applicable laws and regulations. Program integrity and proper stewardship of resources are significant responsibilities of the Department; ineffective oversight and accountability can lead to the

benefits and assistance not reaching the intended beneficiaries and negatively impact consumer confidence in USDA programs.

Due to the impact of these programs and the large amount of funding they require, the Department must employ efficient processes within its programs and provide effective oversight to ensure program integrity. These actions help mitigate instances of fraud, waste, and abuse. The following sections summarize USDA's challenges and progress with integrity of benefits related to food and nutrition assistance programs, farm programs, crop insurance, and grants and agreements oversight.

Food and Nutrition Assistance Programs

USDA agencies administer a variety of food and nutrition assistance programs that promote agriculture production and reduce food insecurity. For example, the Food and Nutrition Service (FNS) administers 16 Federal domestic nutrition assistance programs that include the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC), child and adult nutrition assistance programs, and commodity assistance programs, as well as other food and nutrition assistance programs in response to the coronavirus disease 2019 (COVID-19)

pandemic. FNS' 2026 budget requests a total of \$161.9 billion in mandatory and discretionary funding to support the Agency's mission in administering the 16 food and nutrition assistance programs.

To administer some of USDA's food and nutrition assistance programs, FNS partners with State and local organizations that interact directly with program participants. The State and local organizations are responsible for delivering benefits in accordance with Federal requirements, and FNS is responsible for setting national program standards and overseeing cooperating organizations to ensure they properly and effectively implement program requirements. According to FNS, ensuring integrity and minimizing improper payments



Winter heart cabbage for sale at a farmers market. USDA Photo by Lance Cheung.

of these programs is a key priority of the agency.

However, we found USDA has continued challenges with its administration and oversight of food and nutrition assistance programs. Specifically, FNS lacked controls to consistently document program waivers and adequately assess SNAP fraud risks. Our Office of Investigations continues to receive fraud complaints within food and nutrition assistance programs. They have noted emerging fraud schemes that include organized international crime rings that are focused on stealing assistance money from needy populations across the

country. OIG will continue to dedicate investigative resources and work with our law enforcement and prosecutorial partners to protect the integrity of these programs.



According to FNS, its food and nutrition assistance programs are essential and help the most vulnerable populations meet their food needs. These programs touch the lives of one in four Americans annually. Consequently, USDA should continue to strengthen its administration and oversight of these essential programs to prevent fraud, waste, and abuse.

Issued Report Summary

Our 2025 report, [Food and Nutrition Service's Supplemental Nutrition Assistance Program Fraud Risk Assessments](#), found that FNS has taken steps to respond to identified fraud risks in SNAP and is conducting ongoing efforts that could inform a fraud risk assessment and anti-fraud strategy. However, the agency has not comprehensively assessed SNAP fraud risks in adherence with GAO's leading practices, nor has it documented a prioritized approach to managing fraud risks. Specifically, FNS has not assigned clear responsibilities to a dedicated entity for designing and overseeing the fraud risk assessment process, developed a fraud risk profile, or established an anti-fraud strategy. As a result, FNS is not meeting the objective of fraud risk management, which is to ensure program integrity by continuously and strategically mitigating both the likelihood and effects of fraud, while also facilitating the program's mission. We accepted management decision for the four audit recommendations in the report.

- ↳ **Food and Nutrition Assistance Programs: USDA OIG Highlighted Audit and Inspection Work**

[Food and Nutrition Service's Supplemental Nutrition Assistance Program Fraud Risk Assessments](#)
(Report 27601-0001-24, issued 5/29/2025)

[FNS SNAP: Disbursement of SNAP Benefits Using the EBT System**](#)
(Report 27801-0002-23, issued 4/14/2025)

[COVID-19—Food and Nutrition Service's Pandemic Electronic Benefits Transfer—Final Report**](#) (27801-0001-23, issued 2/15/2024)

[COVID-19—Farmers to Families Food Box Program Administration](#)
(01801-0001-22, issued 8/15/2023)

[Supplemental Nutrition Assistance Program Waiver Process](#)
(27601-0006-41, issued 1/3/2023)

[COVID-19—Oversight of the Emergency Food Assistance Program—Final Report](#)
(27801-0001-21, issued 8/18/2022)

[COVID-19—Farmers to Families Food Box Program Administration—Interim Report](#) (01801-0001-22(1), issued 6/24/2022)

[COVID-19—Supplemental Nutrition Assistance Program Online Purchasing in Response to the Coronavirus Disease 2019*](#) (Report 27801-0003-22, issued 8/25/21)

Recommendation Progress
OIG issued 16 recommendations under this challenge indicator. As of July 31, 2025, six recommendations remain open.

*A report from a previous Management Challenges report with open recommendations relevant to the key challenge indicator.

**These reports were included because they provide important information about the program despite not having any recommendations.



A basket of farm-fresh tomatoes.
USDA photo by Preston Keres.

- Food and Nutrition Programs:
USDA OIG Highlighted Closed Investigations

OIG closed approximately 337 investigations related to food and nutrition programs during this time, obtaining approximately 1,787 criminal, 6 civil, and 386 administrative outcomes, with more than \$313.1 million in monetary results. Examples of these investigations include:

[New York Man Sentenced for Distributing Drugs in Exchange for Food Stamps](#)

[Pennsylvania Store Owner Sentenced to 18 Months in Prison for Defrauding Supplemental Nutrition Assistance Program](#)

[Owner of Illinois Child Care Centers Sentenced to 4 Years in Prison for Fraudulently Obtaining More Than \\$3.3 Million in State Subsidies](#)

[Man Sentenced to 20 Years for Stealing \\$2.6 Million in SNAP Benefits from Needy](#)

[Georgia Meat Market Owner Sentenced to Federal Prison in \\$10 Million Food Stamp Fraud Scheme](#)

[Illinois Man Sentenced to 5 Years' Imprisonment for Taking \\$1.2 Million in SNAP Benefits](#)

[Man Sentenced for Conning Summer Food Service Program Out of \\$2.3 Million](#)

[Texas Man Sentenced for Fraud And Money Laundering Conspiracies Targeting Federally Funded Meal Programs For Underprivileged Youth](#)

[Pennsylvania Man Sentenced to 24 Months' Imprisonment for Unlawfully Exchanging \\$1.8 Million in Federal Nutrition Assistance Benefits for Cash](#)



Farm Programs

The Farm Service Agency's (FSA) mission is to serve all farmers, ranchers, and agricultural partners through the delivery of effective, efficient farm programs for all Americans. To fulfill this mission, the agency administers farm loans, commodity conservation, and disaster assistance programs.

FSA is also responsible for overseeing and implementing policies and procedures that regulate the delivery of Federal farm programs. FSA farm programs help agricultural producers manage market risks, recover from disasters, and conserve and protect America's natural resources. FSA makes direct and guaranteed farm ownership and operating loans to family-size farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lenders. These loans can be used to purchase land, livestock, equipment, feed, seed, and supplies; they can also be used to construct buildings or make farm improvements.

In addition, FSA administered the Coronavirus Food Assistance Program (CFAP), with assistance from the Agricultural Marketing Service (AMS). Under CFAP, FSA provided payments to producers of a wide variety of agricultural commodities, including crops, dairy, and livestock. AMS also assists U.S. producers of food, fiber, and specialty crops by creating domestic and international marketing opportunities. Much of the agency's support for agriculture is provided through commodity-specific efforts, such as its Dairy, Specialty Crops, Livestock and Poultry, and Cotton and Tobacco Programs.



OIG's work found that FSA faces challenges with farm program administration. Specifically, OIG audits and inspections found issues with record-keeping, guidance, and performance tracking. GAO also emphasized a [priority recommendation in 2024](#) that stated FSA should conduct additional spot checks of CFAP payments and use a more risk-based approach to selecting producers for review. As



of April 2024, FSA county offices had completed additional spot checks, but national-level reporting and analysis was ongoing. Investigations include, but are not limited to, theft, bank fraud, false claims, and conversion of collateral.

FSA plays a crucial role in supporting America's rural prosperity. It should continue to improve its program delivery so it can continue serving all farmers, ranchers, and agricultural partners and remain alert for instances of fraud.

↳ Farm Programs: USDA OIG Highlighted Audit and Inspection Work

[COVID-19 - Coronavirus Food Assistance Program—Direct Support \(03801-0001-31, issued 9/25/2023\)](#)

[Food Purchase and Distribution Program \(01601-0003-41, issued 8/15/2023\)](#)

[Wildfires and Hurricanes Indemnity Program—Puerto Rico \(03702-0003-31, issued 3/24/2023\)](#)

[Beginning Farmers \(50601-0010-31, issued 9/26/2022\)](#)

[Market Facilitation Program* \(03601-0003-31, issued 3/9/2022\)](#)

[2017 Hurricane Relief Emergency Conservation Program* \(Report 03702-0002-23, issued 6/9/2021\)](#)

Recommendation Progress
OIG issued 27 recommendations under this challenge indicator. As of July 31, 2025, 10 recommendations remain open.

*A report from a previous Management Challenges report with open recommendations relevant to the key challenge indicator.



Farm Programs: USDA OIG Highlighted Closed Investigations

OIG closed approximately 80 investigations related to farm programs during this time, obtaining approximately 104 criminal, 18 civil, and 19 administrative outcomes, with more than \$259.7 million in monetary results. Examples of these cases include:

[Mississippi Delta Grain Elevator Owner Sentenced for Fraud](#)

[New York Man Sentenced to Prison for Stealing Nearly \\$1 Million in Federal Funds](#)

[Former Grass Seed Company Employee Sentenced to Federal Prison for Role in Schemes to Defraud Simplot](#)

[Nebraska Man Sentenced for Bank Fraud](#)

[Ohio Man Sentenced for His Part in \\$7 Million COVID-19 Relief Fraud Scheme](#)

[Livestock Dealer and Four of Its Managers Sentenced in Widespread Pig Fraud Scheme](#)

Crop Insurance

Agriculture is a fundamentally risky enterprise, and farmers and ranchers must be prepared for many uncertainties, including natural disasters, low production, and financial fluctuations. Federal crop insurance assists farmers and ranchers in managing these risks. USDA's Risk Management Agency's (RMA) mission is to secure the future of agriculture by providing world-class risk management tools to rural America. To fulfill this mission, RMA works with private insurance companies, or Approved Insurance Providers (AIP), that sell and service the insurance policies in every State through a public-private partnership.

RMA has several program areas: Insurance Services, Product Management, and Compliance. Insurance Services is responsible for program delivery and local program administration and support. Product Management is responsible for overseeing product development and program operations. Lastly, Compliance monitors program integrity and both producer and private insurance companies' adherence to program requirements.

We found that the Department faces challenges with crop insurance oversight and program administration. These challenges can affect payment accuracy, program eligibility, and program compliance. In addition, [GAO's priority recommendations for USDA](#) include one for RMA to reduce year-to-year fluctuations in the administrative and operating expense subsidies that companies receive at the crop, State, and county levels by adjusting the administrative and operating expense subsidy calculation method in a way that reduces the effects of changes in premiums caused by changes in crop prices or other factors when it

renegotiates the standard reinsurance agreement. As of 2024, USDA had not taken action to implement the recommendation. Furthermore, our investigative results indicate that USDA loses millions of dollars to crop insurance fraud each year. Investigations include, but are not limited to, submitting false documentation on crop ownership and production and tampering with weather equipment.

RMA must strengthen its oversight and administration of the Federal Crop Insurance Program and remain vigilant against fraud so it can continue providing a fundamental safety net for American farmers and ranchers.



Crop Insurance: USDA OIG Highlighted Audit and Inspection Work

[Whole-Farm Revenue Protection Pilot Program](#) (05601-0005-22, issued 5/6/2024)

[Prevented Planting Followup](#) (05601-0008-31, issued 2/9/2024)

[RMA Apiculture Pilot Insurance Program](#) (05601-0002-41, issued 5/9/2023)

Recommendation Progress
OIG issued 11 recommendations under this challenge indicator. As of July 31, 2025, one recommendation remains open.

• Crop Insurance: USDA OIG Highlighted Closed Investigations

OIG closed approximately 22 investigations related to crop insurance during this time, obtaining approximately 88 criminal, 3 civil, and 21 administrative outcomes, with more than \$82 million in monetary results. Examples of these cases include:

[Tennessee Man Sentenced to Over 3 Years in Federal Prison for Crop Insurance Fraud](#)

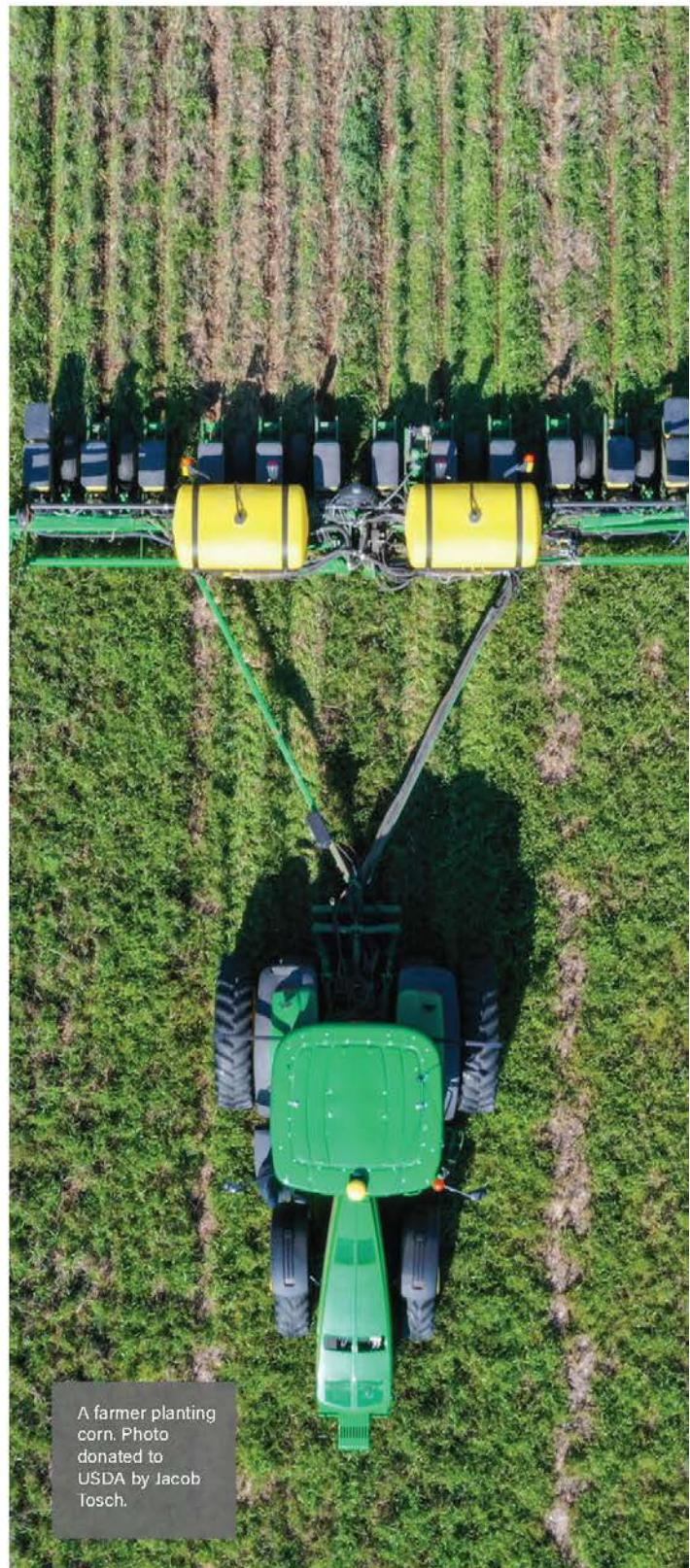
[Two Colorado Farmers Sentenced to Federal Prison and Will Pay Over \\$6.5 Million for Defrauding Federal Crop Insurance Programs](#)

[Michigan Farmer Agrees to \\$1.2 Million Settlement to Resolve Allegations of Federal Crop Insurance And Farm Benefit Program Fraud](#)

[Kentucky Man Sentenced to 56 Months for Extensive Crop Fraud Scheme](#)

[Iowa Man Sentenced to Prison for Crop Insurance Fraud](#)

[Former Kentucky Warehouse Owner, Former Crop Insurance Agent Sentenced for Charges Related to Crop Insurance Fraud](#)



A farmer planting corn. Photo donated to USDA by Jacob Tosch.

Grants and Agreements Oversight

USDA agencies administer a variety of programs that award grants and cooperative agreements to eligible recipients such as State agencies, non-profit organizations, and qualified individuals. Agencies award this assistance to carry out public purposes that promote the general welfare, security, public health, safety, education, prosperity, or public convenience as authorized by Federal law. The agencies use grants to award funds when the agencies are not substantially involved in carrying out the awarded activities, and cooperative agreements when the agencies are substantially involved.

Agencies must administer grants and cooperative agreements in accordance with Federal regulations, which include pre-award and post-award requirements (e.g., agency public notice of funding opportunities, application reviews and approvals, and recipient financial management system capabilities, performance and financial monitoring, etc.). In carrying out awarded activities, recipients must comply with regulatory requirements as well as the terms and conditions of the awards, and agencies must manage and administer Federal awards to ensure program funding is properly expended. According to USASpending.gov, USDA awarded more than \$54.6 billion of grants alone in FY 2025, which represented more than 33 percent of the Department's \$161.9 billion in financial assistance obligations.⁵

Although we found that USDA has made progress with its administration and oversight of grants and cooperative agreements by

closing 8 of the 14 open recommendations identified last year, it continues to face challenges. Specifically, we identified agencies that did not timely or consistently review applications and ensure applicants were properly evaluated. We also identified agencies that did not adequately oversee or monitor recipients to ensure they properly expended funds for authorized purposes. Further, since grant and agreement funds are awarded to carry out a public purpose, grantees must use those funds as agreed and within certain parameters to include the awarding agency guidelines. Our Office of Investigations examines grant fraud and has noted some of the following fraud schemes: misappropriation and/or misuse of funds, theft of Government funds, misrepresentation to obtain the funds, and unreported conflicts of interest to guarantee receipt of the funds.



Given USDA awards a significant amount of funding to recipients each fiscal year, it is vital that agencies establish sufficient pre- and post-award internal controls to protect this funding from fraud, waste, and abuse.

Issued Report Summary

We evaluated the [Foreign Agriculture Service's \(FAS\) controls over the McGovern-Dole Program](#), which provides assistance to improve food security and literacy and primary education for low-income, food-deficit countries. Specifically, we evaluated the program's agreement funding and found that FAS did not conduct compliance reviews for 22 of the 30 eligible agreements from FYs 2017–2022. As a result, FAS lacked assurance that program recipients properly expended agreement funds for authorized

⁵ This information was obtained from USASpending.gov on September 23, 2025, and reflects FY 2025 data through July 30, 2025.

purposes; these funds totaled more than \$99.2 million for the eligible agreements awarded in FY 2019.

We also found that FAS did not demonstrate how it met statutory provisions and ensured recipients properly expended earmarked funds for authorized purposes. Specifically, FAS did not account for earmarked funds or properly communicate earmarked funding expectations to recipients. As a result, it lacked reasonable assurance that the earmarked funds it initially awarded for local and regional commodity procurements, which totaled more than \$67.7 million between FYs 2020–22, met statutory requirements.

Additionally, FAS did not assess recipients' rollover funds. Program regulations require recipients to expend advance payments within 90 days though, with FAS' approval, they may retain and roll over a reasonable or minimal amount of funds that have not been expended within this timeframe. However, we found that FAS did not review and approve recipients' advance payment requests to assess "rollover" funds, and it unknowingly allowed recipients to retain rollover amounts. For example, for the two agreements we reviewed, FAS approved 11 advance payment requests and unknowingly allowed these recipients to retain and rollover more than \$4.7 million of program funds from FYs 2017–22. As a result, FAS lacked added assurance that recipients had adequate control over program funds, and timely implemented project activities.

Lastly, we found that as of FY 2022, FAS did not close out 32 McGovern-Dole Program agreements that ended 1 to more than 11 years earlier. As a result, FAS had not de-obligated potentially more than \$19.9 million that could be used for other new or ongoing McGovern-Dole Program

projects or pay and collect potential funds due to or owed from the recipients. Further, FAS may continue to increase its backlog of agreements that need to be closed.



Grants and Agreements Oversight: USDA OIG Audit and Inspection Highlighted Work

[Partnerships for Climate-Smart Commodities—Performance Measures and Monitoring](#) (Report 10801-0001-22, issued 6/12/2025)

[Meat and Poultry Processing Expansion Program—Oversight of Grant Recipients' Use of Funds](#) (Report 34801-0001-21, issued 12/23/2024)

[IIJA—Community Wildfire Defense Grant Program for At-Risk Communities](#) Report 08801-0002-24, issued 8/29/2024)

[Foreign Agricultural Service's Controls Over McGovern-Dole International Food for Education Program Funding](#) (Report 07601-0002-41, issued 7/10/2024)

[Controls Over the Meat and Poultry Processing Expansion Program Award Process \(Phase 1\)](#) (34601-0001-21, issued 3/5/2024)

[Controls Over the Market Access Program](#) (07601-0001-21, issued 7/5/2023)

[Agriculture and Food Research Initiative](#) (13601-0002-22, issued 6/26/2023)

- Grants and Agreements Oversight:
USDA OIG Audit and Inspection
Highlighted Work (Continued)



[Oversight of the Agricultural Trade Promotion Program](#) (07601-0001-24, issued 8/29/2022)

Recommendation Progress
OIG issued 30 recommendations under this challenge indicator. As of July 31, 2025, seven recommendations remain open.

- Grants And Agreements Oversight:
USDA OIG Highlighted Closed Investigations

OIG closed approximately 9 investigations involving grant fraud during this time, obtaining approximately 27 criminal, 1 civil, and 10 administrative outcomes, with more than \$108.9 million in monetary results. An example of these investigations includes:

[West Virginia Business Owner Sentenced for Federal Broadband Funding Fraud](#)

Challenge 3: Delivering Efficient Programs



USDA must manage its programs and operations with effectiveness and efficiency. For such a diverse portfolio of programs, the Department must design them well to be a diligent steward of Federal funds. However, designing, developing, and implementing programs that reliably achieve their intended results has been a recurring challenge

for the Department. Monitoring program performance is also essential to ensure that USDA programs and benefits are delivered effectively and are accessible to all the communities USDA serves. The following section summarizes USDA's challenges and progress in financial management and reporting and supplemental funding.

Financial Management and Reporting

Federal managers must have ready access to reliable and complete financial and performance information to operate as effectively and efficiently as possible. Accordingly, the law requires agencies to establish and maintain systems of accounting and internal controls that provide reliable accounting results and financial results of agency activities. At the Department level, the Office of the Chief Financial Officer (OCFO) provides overall direction and leadership in the development of financial management policies and systems.

To review USDA's financial management, OIG conducted both mandatory and discretionary engagements. For example, OIG conducted annual mandatory financial statement audits to determine whether the Department and component agencies' financial statements were presented fairly,

in all material respects, in accordance with U.S. generally accepted accounting principles. These audits also reviewed internal controls over financial reporting and tested compliance with applicable laws and regulations. Additionally, OIG conducted a variety of discretionary engagements that included a review of USDA agencies' financial management of specific programs.

During the period, we found USDA continues to face challenges with its financial management and reporting. These challenges included properly administering and accounting for program funding to ensure the appropriated and earmarked funds were expended for authorized purposes, material weaknesses and significant deficiencies in internal control over financial reporting, and instances of noncompliance with applicable laws, including improper payment requirements. Figure 4 shows the percent of improper payments by program for FY 2024.

Percent of Improper Payments by Program

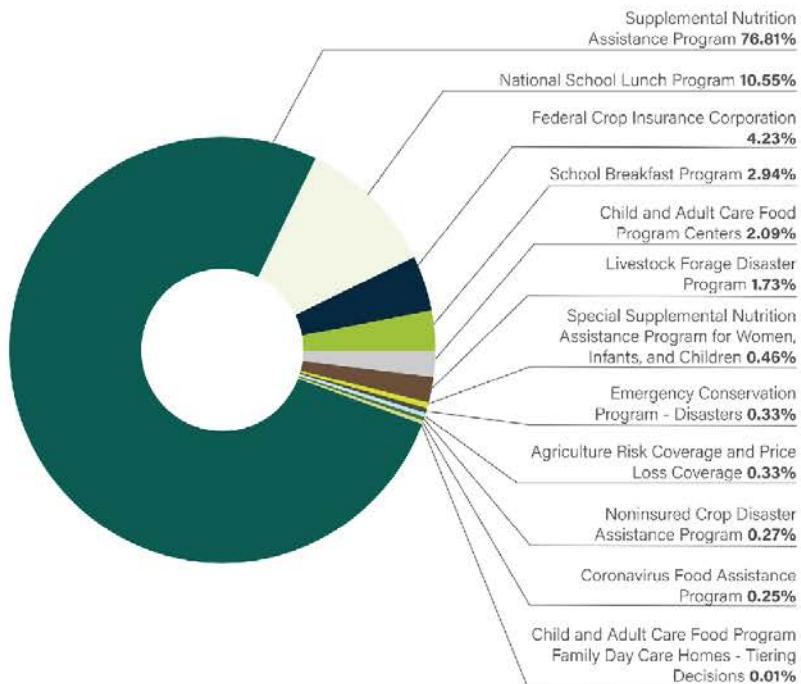


Figure 4. Percentage of improper payments by program. OIG graphic made with information from USDA's *Compliance with Improper Payment Requirements for Fiscal Year 2024* report. OIG graphic.

USDA's FY 25 budget estimated \$231 billion for its total outlays during the year under current law. Given the magnitude of USDA's funding and assets, adequate financial reporting and management is imperative to ensure funds are properly accounted for and expended. Improved financial management and reporting provides valuable financial information needed for management and decision-making purposes, and provides effective control over USDA assets.

Issued Report Summary

Our 2025 report, [USDA's Compliance with Improper Payment Requirements for Fiscal Year 2024](#), assessed whether USDA complied with the Payment Integrity Information Act of 2019 (PIIA) that requires agencies to identify and review all programs and activities they administer that may be susceptible to significant improper

payments. We also assessed whether USDA fulfilled its high-dollar overpayment reporting requirements, as required by OMB. We found USDA did not comply with four of the six improper payment requirements. These programs either did not meet annual reduction targets, report gross improper payment rates of less than 10 percent, or both. Similarly, we found these programs' corrective actions were not effective in reducing improper payments, and these programs were not demonstrating improvements from the prior year. As a result, USDA was not compliant with PIIA requirements, reducing program integrity.

→ Financial Reporting: USDA OIG
Highlighted Audit and Inspection
Work

[Food Safety and Inspection Service's
Cooperative Interstate Shipment Program](#)
(Report 24601-0004-22, issued 7/3/2025)

[USDA's Compliance with Improper
Payment Requirements for Fiscal Year
2024](#) (Report 50024-0016-11, issued
5/27/2025)

[IIJA—Forest Service Implementation
of Federal Wildland Firefighter Salary
Requirements and the Conversion of
Employees](#) (Report 08801-0002-23,
issued 3/18/2025)

[USDA's Consolidated Financial
Statements for Fiscal Years 2024 and
2023](#) (Report 50401-0023-11, issued
11/14/2024)

[Commodity Credit Corporation's Financial
Statements for Fiscal Years 2024 and
2023](#) (Report 06403-0007-11, issued
11/12/2024)

[Federal Crop Insurance Corporation/
Risk Management Agency's Financial
Statements for Fiscal Year 2024](#) (Report
05403-0001-11, issued 11/12/2024)

[Natural Resources Conservation
Service's Financial Statements for Fiscal
Years 2024 and 2023](#) (Report 10403-
0007-11, issued 11/12/2024)

[IIJA—Community Wildfire Defense Grant
Program for At-Risk Communities](#)
(Report 08801-0002-24, issued
8/29/2024)

[USDA's Compliance with
Improper Payment
Requirements for FY 2023](#)
(Report 50024-0004-24,
issued 7/12/2024)



[Foreign Agricultural Service's Controls
Over McGovern-Dole International Food
for Education Program Funding](#) (Report
07601-0002-41, issued 7/10/2024)

[USDA's Controls Over Departmental
Shared Cost Programs and Working
Capital Fund](#) (50601-0004-23, issued
3/14/2024)

[USDA's Consolidated Financial
Statements for Fiscal Years 2023 and
2022](#) (50401-0022-11, issued 1/16/2024)

[Commodity Credit Corporation's Financial
Statements for Fiscal Years 2023 and
2022*](#) (06403-0006-11, issued 11/8/2023)

[Rural Development's Financial
Statements for Fiscal Years 2023 and
2022](#) (85401-0014-11, issued 11/8/2023)

[Agreed-Upon Procedures—Employee
Benefits, Withholdings, Contributions, and
Supplemental Semiannual Headcount
Reporting Submitted to the Office of
Personnel Management for
Fiscal Year 2023](#) (11301-
0001-23, issued 9/29/2023)

[Independent Service
Auditor's Report on Financial
Management Services' Description
of Its Financial Systems and the
Suitability of the Design and Operating
Effectiveness of Controls for the Period
October 1, 2022, through June 30, 2023](#)
(11303-0004-12, issued 9/19/2023)

- ↳ Financial Management and Reporting: USDA OIG Highlighted Audit and Inspection Work (Continued)



[Independent Service Auditor's Report on National Finance Center's Description and Operating Effectiveness of Its Payroll and Personnel Systems for October 2022 Through June 2023](#)
(11303-0003-12, issued 9/15/2023)

[USDA's Compliance with Improper Payment Requirements for Fiscal Year 2022](#) (50024-0003-24, issued 5/22/2023)

[USDA's Consolidated Financial Statements for Fiscal Years 2022 and 2021](#) (50401-0021-11, issued 11/14/2022)

[Commodity Credit Corporation's Financial Statements for Fiscal Years 2022 and 2021](#) (06403-0005-11, issued 11/9/2022)

[Natural Resources Conservation Service's Financial Statements for Fiscal Years 2022 and 2021](#) (10403-0005-11, issued 11/9/2022)

[USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021](#) (50024-0002-24, issued 6/28/2022)

Recommendation Progress
OIG issued 49 recommendations under this challenge indicator. As of July 31, 2025, 21 recommendations remain open.

*A report from a previous Management Challenges report with open recommendations relevant to the key challenge indicator.

Supplemental Funding

In FY 2025, USDA received more than \$26 billion in appropriated funds. In addition to those appropriated funds, USDA has received supplemental funds from multiple sources in prior years:

- The 2021 [American Rescue Plan Act](#): provided USDA with more than \$4 billion in additional funding to address the continued impact of COVID-19 on the economy, public health, State and local governments, individuals, and businesses.
- The 2021 [Infrastructure Investment and Jobs Act](#) (IIJA): provided USDA with more than \$8.3 billion in funding to improve the Nation's energy, broadband access, transportation, and other infrastructure projects.
- The [Inflation Reduction Act of 2022](#) (IRA): provided USDA with more than \$19 billion for conservation programs administered by the Natural Resources Conservation Service.
- The 2025 [American Relief Act](#) provided USDA with approximately \$39.8 billion to carry out projects and activities related to agricultural disaster assistance.

While some of these funds have been expended, others remain accessible for use. To accomplish its mission, USDA must manage this spending and maintain strong, effective internal controls.

IIJA was signed into law in November 2021. The law provided USDA with more than \$8.3 billion in funding. More than \$2.9 billion was directed toward broadband loans and grants, watershed and flood prevention operations, and a biproduct pilot program using agricultural commodities. The bill also provided more than \$5.4 billion for forestry programs designed to reduce wildland fire risks and restore ecosystems. OIG's IIJA funding dashboard reports that USDA has distributed more than 6,000 awards to over 2,500 unique recipients, with obligations totaling approximately \$4.2 billion. See Figure 5 for a breakdown of USDA's IIJA funding.



Our work has found that USDA faces challenges with financial management and reporting of IIJA funds, internal controls, and documentation. Additionally, our Office of Investigations continues to examine allegations related to IIJA funding.

IIJA Funding Breakdown

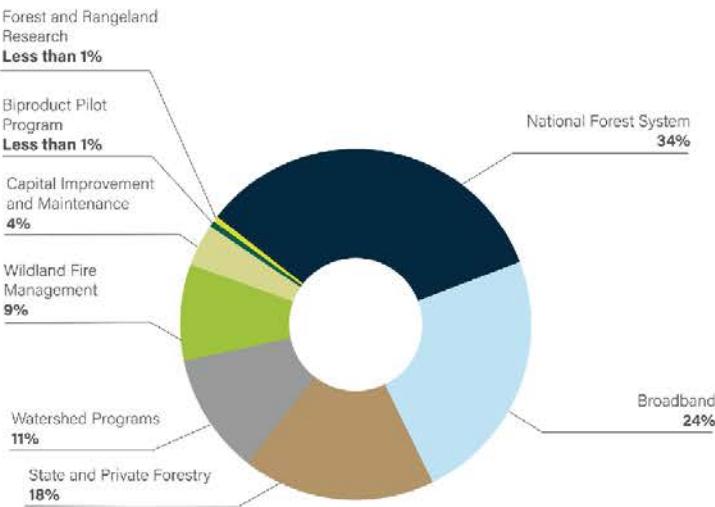


Figure 5. Breakdown of USDA's Infrastructure and Jobs Act funding. OIG graphic.

USDA should take steps to improve its financial management and reporting, establish effective internal controls, and improve its documentation practices. These supplemental funds provide significant support to rural families, strengthen the resilience of watershed systems, and improve our Nation's forests and fire response.

Issued Report Summary

Our 2025 report, [IIJA—Legacy Road and Trail Remediation Program Capping Report on Implementation by Regions 3 and 6](#), notes that in November 2021, IIJA provided the Forest Service approximately \$250 million to establish the IIJA Legacy Road and Trail Remediation Program (LRT). While we recognize that Regions 3 and 6 had limited time to implement LRT, based on our prior work, we were unable to validate the scoring and eligibility of these projects. We also found that both regions we reviewed did not consistently solicit and consider public input regionally in the ranking of projects for funding under the program. This occurred because the Washington Office did not issue sufficient guidance or establish

a plan to oversee this process to ensure that regions consistently and effectively solicited and considered input from stakeholders in the ranking of LRT projects for funding. As a result, the Forest Service has reduced assurance that the two regions selected the most meritorious and eligible projects for the more than \$19.4 million in LRT funding—this may have prevented the projects from fully serving the best interests of affected stakeholders. Additionally, we found that 1 of the regions also approved and allocated LRT funds to 11 ineligible tasks within 2 approved projects. This occurred because the Forest Service lacked sufficient internal controls to ensure that LRT funding was only allocated to eligible tasks. As a result, although the Forest Service did not expend LRT funding on the ineligible tasks, the agency held more than \$630,000 in LRT funds for ineligible tasks within approved projects, thus making these funds unavailable for other eligible LRT projects or tasks. Forest Service officials generally agreed with our findings and recommendations and initiated corrective actions during the audit. We accepted management decision for the three audit recommendations in the report.



Supplemental Funding: USDA OIG
Highlighted Audit and Inspection
Work

[IIJA—Legacy Road and Trail](#)

[Remediation Program Capping Report
on Implementation by Regions 3 and 6](#)
(Report 08601-0007-31, issued 5/5/2025)

[IIJA—Legacy Road and Trail Remediation
Program – Region 6](#) (Report 08601-0006-
31, issued 12/17/2024)

[IIJA—Legacy Road and Trail Remediation
Program - Region 3](#) (Report 08601-0005-
31, issued 12/16/2024)

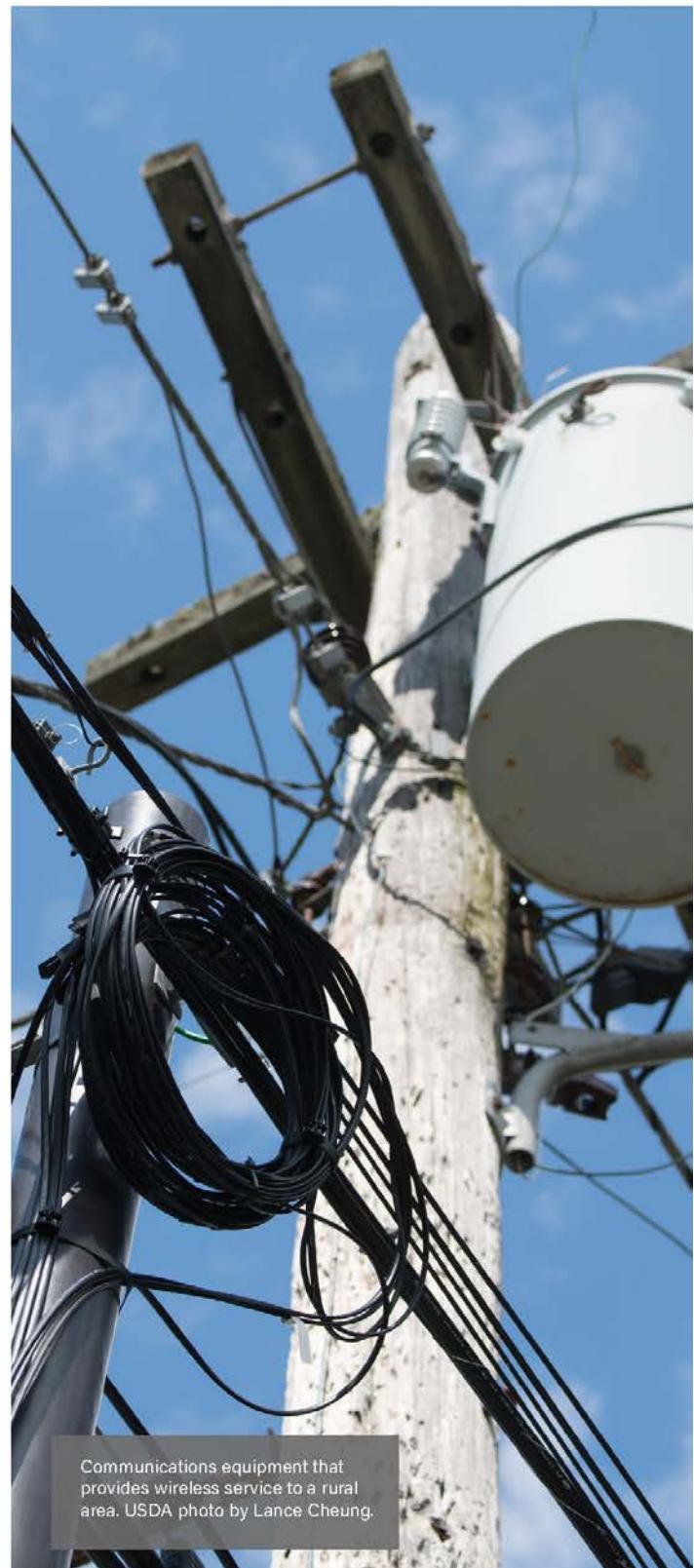
[IIJA—Collaborative Aquatic Landscape
Restoration Program](#) (Report 08801-
0002-22, issued 12/12/2024)

[IIJA—Hazardous Fuels Management](#)
(Report 08801-0001-21, issued 9/9/2024)

[IIJA—Community Wildfire Defense Grant
Program for At-Risk Communities](#) (Report
08801-0002-24, issued 8/29/2024)

[IIJA—Watershed and Flood Prevention
Operations](#) (Report 10801-0001-24,
issued 6/25/2024)

Recommendation Progress
OIG issued 15 recommendations
under this challenge indicator. As of
July 31, 2025, four recommendations
remain open.



Communications equipment that
provides wireless service to a rural
area. USDA photo by Lance Cheung.

Acronyms and Abbreviations

AFIDA	Agricultural Foreign Investment Disclosure Act	OIG	Office of Inspector General
AFR	Agency Financial Report	OMB	Office of Management and Budget
AIP	approved insurance provider	PIIA	Payment Integrity Information Act of 2019
APHIS.....	Animal and Plant Health Inspection Service	RMA.....	Risk Management Agency
APHRE	Animal and Plant Health Regulatory Enforcement	SNAP	Supplemental Nutrition Assistance Program
AWA.....	Animal Welfare Act	USDA.....	U.S. Department of Agriculture
CFAP	Coronavirus Food Assistance Program	WIC.....	Special Supplemental Nutrition Assistance Program for Women, Infants, and Children
COVID-19.....	coronavirus disease 2019		
FAS.....	Foreign Agricultural Service		
FISMA.....	Federal Information Security Modernization Act of 2014		
FNS	Food and Nutrition Service		
FS	Forest Service		
FSA.....	Farm Service Agency		
FY	fiscal year		
GAO.....	Government Accountability Office		
IG	Inspector General		
IT	information technology		
IIJA.....	Infrastructure Investment and Jobs Act of 2021		
IRA.....	Inflation Reduction Act of 2022		
LRT.....	Legacy Road and Trail Remediation Program		
NRCS	Natural Resources Conservation Service		
OCFO	Office of the Chief Financial Officer		
OCIO	Office of the Chief Information Officer		



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Response to Management Challenges

The United States Department of Agriculture (USDA) takes challenges identified by the Office of Inspector General (OIG) very seriously and is aggressively pursuing corrective actions to address these weaknesses. The Department has already completed several corrective actions recommended by OIG and Government Accountability Office (GAO) auditors. We will continue to enhance internal controls to remain compliant with Federal laws and regulations, as indicated in the following responses.

CHALLENGE 1: Ensuring Safety & Security

PLANT AND ANIMAL HEALTH

Animal and Plant Health Inspection Service's Controls Over Hawaii Pre-Departure Agriculture Inspections, 33601-0001-22

Corrective actions planned for Fiscal Year (FY) 2026 to remediate the challenge include the following:

For Recommendation 1, Animal and Plant Health Inspection Service (APHIS) will identify and correct the Risk-based Inspection System algorithm to ensure inspection due dates are properly calculated and recorded in eFile. For Recommendation 2, APHIS will establish and provide additional training on dog breeder inspections to inspectors and supervisors, to include proper classification of noncompliance items and required inspection procedures for dog breeders. For Recommendation 3, APHIS will develop and implement a process to ensure inspectors are consistent throughout their inspection of the dog breeders' facility to reduce the occurrence of missed items for review. For Recommendation 4, APHIS will establish a formal process to track and review open complaints to ensure all complaints are closed prior to the established deadlines. If the complaint is not closed by the deadline, APHIS will ensure reasons are documented in eFile. For Recommendation 5, APHIS will perform a risk assessment of the complaint process to evaluate and determine whether APHIS has correctly prioritized resources to manage the identified risks.

APHIS will implement additional processes as necessary to ensure adequate coverage. These corrective actions will close all five open Recommendations in this audit.

Animal and Plant Health Inspection Service's Horse Protection Act Inspection and Disqualification Processes at Horse Show Events, 33601-0004-41

Corrective actions planned for FY 2026 to remediate the challenge include the following: For Recommendation 1, APHIS will revise existing policy to state the requirement to inspect all passenger baggage.

For Recommendation 2, APHIS will notify inspectors of the clarification of the policy. These corrective actions will close both open Recommendations in this audit.



Animal Care Program Oversight of Dog Breeder Inspections, 33801-0001-22

The Animal Plant and Health Inspection Service completed two of the five corrective action plans in their entirety during FY 2025 for this audit.

For Recommendation 1, APHIS established a conflicts-of-interest policy to outline responsibilities and expectations for veterinary medical officers that perform inspections at horse shows. For Recommendation 2, APHIS established a process to monitor inspectors' completion of the requirements set forth in its new conflicts-of-interest policy to ensure actions are complete.

APHIS-completed the three remaining corrective action plans in FY 2026 and requested OIG closure. For Recommendation 3, APHIS conducted and documented an assessment to determine the feasibility of implementing an alternative dispute resolution process for noncompliance determinations made during horse shows. For Recommendation 4, APHIS reviewed and updated processes as appropriate. This included ensuring inspection video footage is complete, accurate, and maintained within the agency's system of record. For Recommendation 5, APHIS developed a process to ensure Horse Protection Act policy guidance and expectations are communicated to the horse show industry in advance of their implementation date and the start of the horse show season. Once accepted by OIG, these corrective actions will close all remaining open Recommendations in this audit

Animal and Plant Health Inspection Service Wildlife Services' Role in Administering the Mexican Wolf Recovery Program, 33801-0001-31

This audit reflects January 9, 2024, as the final action date in the USDA Audit Finding Tracking and Reporting System (AFTR); therefore, there were no remaining corrective action plans requiring completion during FY 2025. APHIS implemented corrective action plans during prior fiscal years to remediate the challenges and close out the audit. For Recommendation 1, APHIS developed and implemented agency policy describing photograph support requirements for depredation reports. For Recommendation 2, APHIS established and provided training to depredation investigators and reviewers on the agency policy that includes the detailed photograph requirements. For Recommendation 3, APHIS submitted a request to a Mexican Wolf Executive Committee to review and make updates to their standard operating procedures.

Plant Pest and Disease Management and Disaster Prevention Program, 33601-0001-21

This audit was closed as of January 22, 2024; therefore, there were no remaining corrective action plans requiring completion during FY 2025. To achieve closure, APHIS implemented corrective action plans during prior fiscal years to remediate the challenges and close out the audit.

For Recommendation 1, APHIS developed, implemented, and documented controls over the tracking of Plant Pest and Disease Management (PPDM) projects and related obligations/ disbursements. Included in these controls documented procedures, APHIS explained how APHIS consolidates PPDM data from different systems; tracks obligations/ disbursements for all projects from approval through close out; matches financial data to specific projects or records PPDM expenditures not attributed to a specific project; reconciles financial data in the accounting system; and resolves any discrepancies.

For Recommendation 2, APHIS followed up on compliance review, findings and recommendations with the recipients of Federal funds and responsible program officials to ensure that sufficient actions were implemented to close findings and recommendations within a specified timeframe.

For Recommendation 3, APHIS developed and implemented a plan of action for Plant Protection and Quarantine (PPQ) to mitigate the risks posed by cooperators with elevated risk levels for agreements. For Recommendation 4, APHIS developed and implemented a process to create performance goals and measures for PPDM and assess annually whether the program meets the goals.

Cattle Health Program Disease Incident Response, 33601-0003-41

This audit was closed as of February 28, 2024; therefore, there were no remaining corrective action plans requiring completion during FY 2025. To achieve closure, APHIS implemented corrective action plans during prior fiscal years to remediate the challenges and close out the audit.

For Recommendation 1, APHIS analyzed risks considering impact, likelihood of occurrence, and risk nature. For Recommendation 2, APHIS determined any actions needed to mitigate risks. For Recommendation 3, APHIS revised procedures to enable recipients to identify costs for various programs under umbrella agreements.

For Recommendation 4, APHIS obtained recipients' actual expenses for each Animal Health program under the umbrella cooperative agreements for three years and performed a reconciliation to amounts allocated. For Recommendation 5, APHIS determined whether APHIS complied with appropriation act provisions. For Recommendation 6, APHIS consulted with qualified professionals to determine whether APHIS' current valuation method used to indemnify cattle for tuberculosis reflected the fair market value of cattle destroyed. For Recommendation 7, APHIS revised valuation methods as necessary.

For Recommendation 8, APHIS submitted a tuberculosis indemnity payment process as needed. For Recommendation 9, APHIS provided area offices with guidance including documentation area offices are required to maintain for the disease indemnity payments.

CYBERSECURITY AND INFORMATION TECHNOLOGY

U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2025 Federal Information Security Modernization Act, 50503-0014-12

OIG conducted the annual Federal Information Security Modernization Act (FISMA) audit and issued 11 Recommendations. USDA received the final report and will request OIG's approval of draft corrective action plans.

Fiscal Year 2024 Quarter 2 Security Evaluation, 50801-0014-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. The agencies within this audit are committed to implementing corrective actions promptly and effectively to strengthen the integrity and security of their operations.

USDA's Management of Password Security, 50801-0015-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. The agencies within this audit are committed to implementing corrective actions promptly and effectively.

***Review of Inventory and Information Security Controls for Excessing IT Equipment,
50801-0013-12***

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to privacy concerns. The agencies within this audit are committed to implementing corrective actions promptly and effectively to strengthen the integrity and security of their operations. Activities related to the remediation efforts are scheduled for completion by the end of the calendar year.

USDA's Security Controls Over Industrial Control System, 50801-0010-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. The agencies within this audit are committed to implementing corrective actions promptly and effectively.

USDA's Compliance with the Geospatial Data Act for Fiscal Year 2024, 50501-0027-12

To improve compliance with responsibilities governed by the Geospatial Data Act, the Natural Resources Conservation Service (NRCS) and the USDA Enterprise Geospatial Management Office prepared a geospatial data standard for the National Cooperative Soil Survey Soil Characterization database dataset. After final internal reviews, the draft geospatial standard will be submitted for public comment prior to publication.

Fiscal Year 2023 Quarter 4 Security Evaluation, 50801-0011-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. Final action was achieved, and this audit was closed on May 1, 2025.

***U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2024
Federal Information Security Modernization Act, 50503-0013-12***

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. The agencies within this audit are committed to implementing corrective actions promptly and effectively.

USDA's Management of Default Credentials, 50801-0012-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. The agencies within this audit are committed to implementing corrective actions promptly and effectively.

Security Testing of a Selected USDA Network (Fiscal Year 2023), 50801-0005-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. Final action was achieved, and this audit was closed on July 16, 2024.

USDA's Compliance with Binding Operational Directives 19-02 and 22-01, 50801-0007-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. The agencies within this audit are committed to implementing corrective actions promptly and effectively.

***U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2023
Federal Information Security Modernization Act, 50503-0011-12***

In FY 2024, Food and Nutrition Service (FNS) reviewed and updated the System Security Plan (SSP) to accurately reflect implementation of the missing Identity, Credential, and Access Management Shared Services (ICAMSS) interconnection identified during the audit. A copy of the updated and signed SSP along with a copy of the updated Food, Nutrition, and Consumer Services (FNCS) Information Sharing and Interconnections Standards and Guidelines were provided as evidence of Recommendation implementation. The Recommendation was closed as of February 28, 2024.

Research, Education, and Economics (REE) implemented a standardized process for the system teams to conduct, monitor, and maintain user access request forms prior to granting system access. REE provided supporting evidence to the Office of the Chief Financial Officer (OCFO) on March 7, 2024, and the audit was closed on March 12, 2024.

To meet the standards and mitigate the potential risks outlined in the fiscal year 2023 Federal Information Security Modernization Act report, Farm Production and Conservation Business Center (FPAC-BC) updated its applicable System Security Plans (SSPs) as recommended.

The Office of the Chief Information Officer (OCIO) Cybersecurity and Privacy Operations Center (CPOC) implemented the recommendations by drafting/updating Risk Management Framework (RMF) documentation/guidance and improving access control procedures/practices.

The agencies achieved final, and this audit was closed on June 26, 2024.

Security Testing of a Selected USDA Network, 50801-0004-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. Final action was achieved, and this audit was closed on January 9, 2023.

U.S. Department of Agriculture, Office of Chief Information Officer, Fiscal Year 2022 Federal Information Security Modernization Act, 50503-0009-12

OIG conducted the annual FISMA audit and issued 7 recommendations. OCIO-CPOC implemented the recommendations by deploying a FISMA improvement plan, drafting guidance, providing training, and improving access control procedures. Final action was achieved, and this audit was closed on September 29, 2023.

Secure Configuration of USDA's Virtualization Platforms, 50801-0003-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. Final action was achieved, and this audit was closed on August 22, 2023.

Security Over USDA Web Applications, 50801-0002-12

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to privacy concerns. As of September 30, 2025, two recommendations remain open within this audit.

CHALLENGE 2: Providing Benefits

FOOD AND NUTRITION ASSISTANCE PROGRAMS

Food and Nutrition Service's Supplemental Nutrition Assistance Program Fraud Risk Assessments, 27601-0001-24

For the first recommendation issued to Food and Nutrition Services (FNS) in late May 2025, FNS is actively working to formally document FNS' existing responsibility and authority, including the Supplemental Nutrition Assistance Program (SNAP) Senior Executive's role, in the management of fraud risk assessment and facilitation of communication with stakeholders. The estimated completion date for this recommendation's implementation is the 1st quarter of FY 2026.

For the second and third recommendations issued to FNS in late May 2025, FNS is working toward finalization of a SNAP fraud risk profile that is conducted in accordance with the GAO Fraud Risk Framework. The estimated completion date for Recommendation implementation is the 1st quarter of FY 2026.

For the fourth and final recommendation issued to FNS in late May 2025, FNS is working on revising its anti-fraud strategy and as appropriate implementing revisions that include data analytics, performance metrics for anti-fraud measures, promotion of Program integrity, and ensures States are undertaking efforts to address fraud, waste, and abuse. The estimated completion date for Recommendation implementation is the 2nd quarter of FY 2026.

COVID-19 - Farmers to Families Food Box Program Administration, 01801-0001-22

The Agricultural Marketing Service (AMS) established and implemented a policy that included assessing risks and developing effective controls when responding to National emergencies. On December 29, 2023, the Commodity Procurement Program (CPP) disseminated to all staff a new Procurement Policy memo (CPP-PM-019), *Emergency Acquisitions for Food Purchases in Support of a Response to a Presidentially Declared Emergency*. The memo establishes the policies and high-level procedures to prepare for and conduct emergency food buys, including assessing/mitigating risks and establishing controls. CPP provided a copy of the memo to OIG, and the recommendation was subsequently closed on April 15, 2024.

Supplemental Nutrition Assistance Program Waiver Process, 27601-0006-41

In FY 2024, FNS completed updates to the waiver handbook to ensure all SNAP waiver policies and procedures are documented as required. A copy of the waiver handbook highlighting the updates was provided as evidence of recommendation implementation.

FNS also completed updates to the waiver handbook to include procedures for maintaining adequate and proper documentation, including records such as policy decisions and regulatory and statutory interpretations, to ensure official agency records comply with applicable requirements. A copy of the waiver handbook highlighting the updates was provided as evidence of recommendation implementation.

Final action was achieved, and this audit was closed on March 25, 2024.

COVID-19 - Oversight of the Emergency Food Assistance Program Final Report, 27801-0001-21

In FY 2023, the “Guidance for Submitting Amendments to TEFAP State Plans per 7 CFR 251.6” memo was issued to FNS Regional offices and The Emergency Food Assistance Program (TEFAP) State agencies. This memo outlined the written procedures for State agencies to submit and receive approval for any requested changes in program operations or administrative process. A copy of the memo was provided as evidence of recommendation implementation.

FNS also reviewed the verbal requests and approvals identified by OIG to ensure that each State agency plan reflected current operations and that all approvals were appropriately approved in writing. Documentation of this review was provided as evidence of recommendation implementation.

In FY 2023, FNS conducted a review of the TEFAP-specific Management Evaluation (ME) module and clarified the instructions provided for retaining documentation in accordance with the FNS National ME Guidance. A copy of the updated TEFAP ME module was provided as evidence of recommendation implementation.

FNS also provided ME reviewers and regional office supervisors in all seven Regions with training to ensure ME reviews are performed consistently and in accordance with the FNS National ME Guidance. A copy of the training materials and attendee records were provided as evidence of recommendation implementation.

Final action was achieved, and this audit was closed on July 31, 2023

COVID-19 - Farmers to Families Food Box Program Administration – Interim Report, 01801-0001-22(1)

The AMS Commodity Procurement Program (CPP) implemented a series of corrective actions to address OIG’s recommendations. All actions were implemented by December 31, 2023, and the audit was closed.

To address the recommendation, AMS developed policies and procedures for performing expedited award processes during Federal emergencies, on December 29, 2023, the Commodity Procurement Program (CPP) disseminated to all staff a new Procurement Policy memo (CPP-PM-019), *Emergency Acquisitions for Food Purchases in Support of a Response to a Presidentially Declared Emergency*. The memo establishes the policies and high-level procedures to prepare for and conduct emergency food buys, including assessing/mitigating risks and establishing controls.

AMS uploaded all relevant Food Box Program supporting documentation for Round 1 in the agency’s system of record, CPP implemented a two-phased approach uploading all source selection decision documents to WBSCM, and uploading all proposals/award summary into an accessible system linked to WBSCM. Final action was achieved, and this audit was closed on December 21, 2022.

COVID-19 - Supplemental Nutrition Assistance Program Online Purchasing in Response to the Coronavirus Disease 2019, 27801-0003-22

In FY 2022, FNS established controls for monitoring, evaluating, and documenting SNAP Online Purchasing Pilot retailers’ requirements pertaining to the use of SNAP participants’ personal information by issuing an internal Standard Operating Procedure (SOP). A copy of the SOP was provided as evidence of recommendation implementation. Recommendation 3 was closed as of September 28, 2022.

In FY 2025, given changes in the SNAP online purchasing space, additional updates were made to the purchasing pilot risk assessment covering both operational and financial controls. A copy of the updated risk assessment was provided as evidence of recommendation implementation.

Given changes in the SNAP online purchasing space, additional updates were made to the risk assessment associated with Recommendation 1 of this same audit. A procedure was also put into place that details the process for assessing and updating the SNAP online purchasing risk assessment on an annual basis. A copy of the procedure was provided as evidence of recommendation implementation.

Final action was achieved for Recommendations 1 and 2 as of September 26, 2025, resulting in the audit being closed.

FARM PROGRAMS

COVID-19 - Coronavirus Food Assistance Program - Direct Support, 03801-0001-31

Farm Service Agency (FSA) completed its review of the Coronavirus Food Assistance Program (CFAP) payments questioned by the OIG. FSA obtained documentation to support that certain producers were accurately paid, and created receivables for amounts due from producers whose payments were based on inaccurate certifications or based on certifications that could not be adequately supported. Work related to the collection and documentation of amounts due is ongoing.

Food Purchase and Distribution Program, 01601-0003-41

The AMS Commodity Procurement Program (CPP) implemented a series of corrective actions to address OIG's recommendations. All actions were implemented by January 31, 2024, and the audit was closed.

In order to address the documentation and records management deficiencies identified by OIG in all six recommendations, CPP implemented a formal contract review process, which uses reviews of random contract samples to ensure compliance with The Federal Acquisition Regulation (FAR), AGAR, USDA Contracting Desk Book, and CPP Policy memos, and/or identify corrective actions needed. This includes verification and documentation of domestic origin of commodities. An essential part of the review process is assessing the completeness of the Web-based Supply Chain Management (WBSCM) contract file.

In addition, in response to recommendations one and two, the AMS Specialty Crops Program developed and implemented enhancements to the domestic origin verification requirements and procedures for commodity purchases. In order to ensure compliance with the new processes, and in response to recommendations five and six, CPP also updated all contract specialist performance plans to include additional detailed requirements regarding adherence to contracting and records management policies. In addition, CPP verified that all staff completed the required records management training by the end of 2023, and supervisors have continued to monitor training completion each year.

Wildfires and Hurricanes Indemnity Program - Puerto Rico, 03702-0003-31

To improve controls over the development and approval of tree, bush, and vine prices used in the calculation of program payments, FSA drafted a revised standard operating procedure to strengthen controls and expand the application review process. Heightened reviews will be conducted when information or data from an outside entity is utilized for FSA programs. To improve the accuracy of program payment calculations, FSA Handbook 1-CM (Common Management and Operating Provisions) was updated to require national office approval before FSA state or county offices can develop policy or procedure. To reduce the likelihood that FSA state committee members could exert undue influence over the approved amount of their program benefits, FSA updated policy and provided training to FSA state offices on requiring a higher level of approval authority for program applications of FSA employees and FSA state and county committee officials.

Beginning Farmers, 50601-0010-31

To improve success in achieving desired results with its beginning farmer program efforts, the USDA Beginning Farmer and Rancher Department-wide Working Group organized subcommittees focused on policy, strategy, and data. The Group drafted a strategic plan and developed a tracking and reporting system to evaluate beginning farmer and rancher programs and activities. Final action was achieved, and this audit was closed on January 23, 2025.

Market Facilitation Program, 03601-0003-31

To strengthen controls over the accuracy of producer certifications and program payments, FSA plans to review programs with production self-certifications similar to the Market Facilitation Program (MFP) to assess associated program risks and potential controls. FSA will continue to utilize spot-check mechanisms as well as data analytics to identify outliers and potentially problematic certifications. To improve agency communications regarding production evidence standards for new or temporary programs, FSA plans to review applicable standards and document changes in agency directives.

2017 Hurricane Relief Emergency Conservation Program, 03702-0002-23

The Farm Service Agency completed the corrective actions to address seven of the ten Recommendations made to FSA by OIG in its audit of FSA's Emergency Conservation Program (ECP). Work to resolve the remaining recommendations is ongoing. To improve oversight of ECP program delivery, FSA revised its program handbook to provide guidance on when the prior practice approval rule may be waived. To improve the accuracy of ECP cost-share payments, FSA revised program policy to allow for standardized payment scenarios to help ensure proper documentation is on file, correct reimbursement rates are used, and to prevent ineligible costs.

CROP INSURANCE

Whole-Farm Revenue Protection Pilot Program, 05601-0005-22

OIG reviewed whether the Risk Management Agency's (RMA) and selected approved insurance providers' oversight of the Whole-Farm Revenue Protection Pilot Program (WFRP) was sufficient to ensure that approved revenues, liabilities, and indemnity payments were accurate as OIG questioned the sufficiency of RMA's oversight of WFRP. OIG recommended that RMA document the oversight reviews and/or tools RMA will use to ensure that WFRP activities are performed in accordance with program requirements. OIG further recommended that RMA should establish a policy and develop procedures to ensure WFRP activities and data are reviewed in a consistent and regular manner.

RMA achieved final action, and this audit was closed on December 26, 2024. RMA achieved final action by: (1) performing a study on the feasibility/practicality of developing an annual data report that identifies anomalous WFRP policies; (2) continuing to carry out efforts to review WFRP when they are randomly selected during the improper payment review process; (3) issuing internal compliance notification requiring Regional Compliance Offices with a heavy concentration of, or who experience increased compliance activities on, WFRP policies to perform an internal assessment of WFRP policies during their annual program review planning process; and (4) incorporating into RMA's Approved Insurance Provider (AIP) Performance Review (APR) a simplified walkthrough that evaluates the AIPs' adherence to WFRP policies.

Prevented Planting Follow-up, 05601-0008-31

OIG reviewed how RMA administered and oversaw the Federal Crop Insurance Program's requirements for prevented planting. The OIG investigation concluded that AIPs did not document and support eligibility determinations. OIG recommended RMA strengthens their handbook requirements to clarify how acres claimed as prevented planting are to be verified as eligible for prevented planting. OIG further recommended that RMA conduct a review to identify any new or additional technologies that may improve AIP documentation to support and verify accuracy of prevented planting claims.

RMA achieved final action, and this audit was closed on December 26, 2024. RMA achieved final action by: (1) clarifying language in appropriate handbooks to ensure preventing planting acreage is properly verified for eligibility; and (2) in September 2023, RMA executed a 2-year extension to the Research Support Agreement with the University of Illinois to study prevented planting mapping and standing water detection to support OIG findings regarding identification and documentation of eligible and ineligible prevented planting acres. OIG recommended RMA conduct a review to identify the use of new technologies, including satellite imagery, to aid in identifying and measuring prevented planting acres. This work seeks to identify technology solutions to support the identification of eligible and ineligible acres, support documentation, and ensure accuracy of prevented planting claims.

RMA Apiculture Pilot Insurance Program, 05601-0002-41

OIG evaluated RMA's administration and oversight of the Apiculture Pilot Insurance Program. The OIG's review found that an approved insurance provider was not in compliance with the review requirements for policies that pay indemnities of \$200,000 or more (\$200,000 Indemnity Reviews). Without adequate reviews of these policies, there is reduced assurance that the total payments made for four policies in crop year (CY) 2020 (\$1,082,604) met all insurability requirements.

Of the eight recommendations from OIG, seven have been closed. The open recommendation requires RMA to review the four \$200,000 Indemnity Reviews identified for CY 2020 in California and Florida, and if adequate support is not provided, recover \$1,082,604 in indemnity payments.

RMA accepted this recommendation, and as a result RMA requested that the AIP perform a policy review on the four sampled policies and provide RMA supporting documentation that the policy was sold and serviced in accordance with established apiculture policies and procedures. Thus far, the AIP made the appropriate monetary adjustment on one of the policies, another policy was reversed based on additional documentation provided, and two policies were appealed. However, the finding on the aforementioned policy was upheld and we are waiting for RMA's Reinsurance Accounting and Operation Branch (RAOB) to confirm the AIP manual adjustment. RAOB expects confirmation no later than January 31, 2026.

GRANTS AND AGREEMENTS OVERSIGHT

Partnerships for Climate-Smart Commodities - Performance Measures and Monitoring, 10801-0001-22

To improve the accuracy and reliability of its financial data, The Natural Resources Conservation Service (NRCS) and the Farm Production and Conservation Business Center (FPAC-BC) corrected the financial records of the projects questioned by OIG. After corrections, records were reconciled to verify consistency across information systems, including verification that the correct data was available at USA Spending.gov. Final action was achieved, and this audit was closed on September 10, 2025.

Meat and Poultry Processing Expansion Program -Oversight of Grant Recipients' Use of Funds, 34801-0001-21

RBCS is in the process of updating the Meat and Poultry Processing Expansion Program (MPPEP) Internal Controls Review Guide (ICR) to include additional language that is responsive to the two OIG recommendations, developing a site visit report template with instructions for the program, and ensuring the last remaining FAA amendment includes pre-award costs in the period of performance. Final action is expected to be completed in January 2026.

IIJA - Community Wildfire Defense Grant Program for At-Risk Communities Report 08801-0002-24

The Forest Service (FS) enhanced internal controls to ensure transfers to Forest Service Operations comply with Infrastructure Investment and Jobs Act (IIJA) requirements. In support of this effort, the agency reviewed and strengthened indirect cost methodologies, established workload criteria, documented decision-making processes, developed monitoring protocols, and designed a review framework for continual improvement. These enhancements were formalized in a Standard Operating Procedure (SOP). Final action was achieved, and this audit was closed on April 25, 2025.

Foreign Agricultural Service's Controls Over McGovern-Dole International Food for Education Program Funding, 07601-0002-41

The McGovern-Dole Program (MGDP) has addressed a series of Office of Inspector General (OIG) recommendations aimed at strengthening compliance, financial oversight, and operational procedures. Several recommendations have been marked as closed, including updates to compliance review guidance (Rec 1), verification of Local and Regional Food Aid Procurement Program (LRP) fund expenditures (Rec 4), and revisions to policies governing advance payments and rollover funds (Rec 5–7). These actions were supported by updated Standard Operating Procedures (SOPs), enhanced tracking systems, and documented analyses that confirm recipients adhered to budgetary guidelines.

However, some recommendations remain unresolved or pending final action. Notably, Rec 2 and Rec 3 call for further assessment and coordination regarding earmarked funds and their proper accounting, particularly for FYs 2021 and 2022. The agency has responded with SOPs and tracking spreadsheets but has yet to fully resolve these items. Similarly, Rec 9, which addresses the historical backlog of agreement close outs, is still open, with four out of 32 agreements pending finalization due to staffing turnover and coordination challenges.

Rec 10 is currently pending final action, as the agency evaluates the effectiveness of its revised close out process. This includes a comprehensive overhaul of the Close out SOP, reallocation of staff responsibilities, and a request for OMB approval of a supplemental financial cover sheet to streamline reviews. The agency is actively monitoring the implementation and outcomes of these changes to determine whether additional resources are needed to meet close-out objectives efficiently.

Controls Over the Meat and Poultry Processing Expansion Program Award Process (Phase 1), 34601-0001-21

USDA OIG has determined that this audit contains sensitive information and will not be publicly released due to the risk of circumvention of law. Final action was achieved, and this audit was closed on March 11, 2025.

Controls Over the Market Access Program, 07601-0001-21

The Foreign Agricultural Service's (FAS) Program Operations Division demonstrated a proactive and solutions-oriented approach by accepting all seven recommendations from the Office of Inspector General (OIG) and swiftly implementing corrective actions to close the findings. Key improvements included enhancing the clarity and transparency of its Notice of Funding Opportunity (NOFO), reinforcing internal review protocols, and collaborating with the Office of Ethics to strengthen conflict-of-interest safeguards.

While FAS initially asserted that oversight mechanisms were already in place, its openness to refinement reflects a strong commitment to continuous improvement and adaptive governance. By embracing a dynamic and iterative approach, FAS reinforced its dedication to accountability and excellence in grant management – ensuring that program benefits are delivered equitably, effectively, and in alignment with its mission. Final action was achieved, and this audit was closed on April 22, 2024.

Agriculture and Food Research Initiative, 13601-0002-22

The OIG made five recommendations to NIFA. The corrective actions included establishing new processes and updating policies and procedures. Final action was achieved, and this audit was closed on May 20, 2025.

Oversight of the Agricultural Trade Promotion Program, 07601-0001-24

The Foreign Agricultural Service's (FAS) Program Operations Division responded constructively to the Office of Inspector General's (OIG) audit of the Agricultural Trade Promotion Program (ATP), accepting all four recommendations and completing corrective actions to strengthen its grants and agreements oversight. These actions addressed key concerns around documentation, transparency, and compliance with federal grant regulations—core elements of addressing Management Challenge 2: Providing Benefits. FAS's efforts focused on formalizing internal policies, improving procedural consistency, and reinforcing accountability across its grant selection process.

By embracing these reforms, FAS demonstrated its dedication to continuous improvement and responsible stewardship of public funds. The closure of all recommendations not only resolves prior oversight concerns but also reinforces FAS's capacity to administer competitive grant programs with integrity and precision—ensuring that benefits reach the intended stakeholders in a fair and accountable manner. Final action was achieved, and this audit was closed on August 11, 2023.

CHALLENGE 3: Delivering Efficient Programs

FINANCIAL REPORTING

Food Safety and Inspection Service's Cooperative Interstate Shipment Program, 24601-0004-22

In concurrence with the OIG recommendation, FSIS will update FSIS Directive 3300.1, Fiscal Guidelines for Cooperative Inspection Programs, to include the specific legal requirements and financial processes related to the Cooperative Interstate Shipment (CIS) program. This update will encompass the reimbursement percentage for the CIS program and other pertinent financial processes to ensure clarity and compliance. The FSIS Directive will be issued in 2026.

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2024, 50024-0016-11

In FY 2025, FNS worked with the Office of Management and Budget (OMB) to obtain additional guidance on the topic of unknown payments and methodologies associated with reporting Summer Food Service Program (SFSP) improper payment estimates. In the first quarter of FY 2026, in conjunction with the OMB Annual Data Call and based on the additional guidance from OMB, FNS will disclose how the agency plans to proceed with reporting SFSP estimates. The estimated completion date for Recommendation 1 implementation is December 31, 2025

In FY 2025, FNS worked with the OMB to obtain additional guidance on the topic of unknown payments and methodologies associated with reporting Child and Adult Care Food Program (CACFP) improper payment estimates. In the first quarter of FY 2026, in conjunction with the OMB Annual Data Call and based on the additional guidance from OMB, FNS will disclose how the agency plans to proceed with reporting CACFP estimates. The estimated completion date for Recommendation 2 implementation is December 31, 2025.

In the first quarter of FY 2026, in conjunction with the OMB Annual Data Call, FNS will describe the actions the agency will take to come into compliance given that the SNAP error rate is over 10 percent. The estimated completion date for Recommendation 4 implementation is December 31, 2025.

Additionally, in the first quarter of FY 2026, in conjunction with the OMB Annual Data Call, FNS will describe the actions the agency will take to come into compliance with failing to demonstrate improvements to payment integrity by having a SNAP error rate over 10 percent. Additionally, for the second year of non-compliance, FNS will consider payment integrity proposals that would help the program come into compliance. The estimated completion date for Recommendation 5 implementation is March 31, 2026.

To improve compliance with the requirements of the Payment Integrity Information Act of 2019 (PIIA), FSA plans to identify root causes of improper payments and formulate appropriate corrective actions tailored to the root causes. The Farm Service Agency plans to focus efforts on continuous process improvements in the development, implementation, and monitoring of effective improper payment mitigation strategies.

IIJA - Forest Service Implementation of Federal Wildland Firefighter Salary Requirements and the Conversion of Employees, 08801-0002-23

The Forest Service institutionalized training and strengthened retirement code accuracy, successfully closing Recommendation 2 on April 25, 2025. In addition, the agency is validating firefighter salary payments, implementing secondary HR reviews, applying its debt collection process, and advancing automation planning. Recommendations 1, 3, 4, and 5 remain on track for completion by February 28, 2026.

USDA's Consolidated Financial Statements for Fiscal Years 2024 and 2023, 50401-0023-11

Management is in the process of implementing updated guidance.

Commodity Credit Corporation's Financial Statements for Fiscal Years 2024 and 2023, 06403-0007-11

To maintain the integrity and availability of financial information systems, FPAC-BC plans to establish guidelines, update procedures, and improve communications regarding the submission of System Authorization Access Request (SAAR) delete requests for personnel terminations or separations from the agency.

Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Year 2024, 05403-0001-11

KPMG audited the consolidated financial statements of the United States Department of Agriculture, Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA), which comprise the consolidated balance sheet as of September 30, 2024, and the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

PMG recommend that RMA: (1) implement audit logging monitoring controls to reduce the risk that inappropriate and/or unusual activity that may compromise the integrity and availability of systems and data goes undetected and resolved; (2) design, document, and implement preventive controls to remove system application access within an acceptable timeframe following a user's separation date; and (3) enforce existing policies to ensure that all users are included within quarterly user access reviews. RMA accepted the recommendation and worked with the FPAC-BC IT to address the recommendations. The first action item meant to address audit logging concerns is nearing completion. FPAC-BC IT expects it to be completed by the end of the second quarter of FY 2026.

Concerning the second recommendation, this action has been completed. The action taken involved FPAC's Information Assurance Branch (IAB) Audit team coordinating with Financial Management Modernization Initiative (FMMI) team to implement these four items: (1) coordinate with IASD (security) and HR to identify possible ways to improve the current FMMI process. A unique identifier and the eAuth ID will be added to monthly and quarterly reports. This will aid in identifying users for onboarding, streamline access reviews, and simplify user offboarding; (2) The FPAC/Operations team will generate a monthly report of all users, which will use the eAuth ID to identify FMMI users. These reports will run on the first Monday of each month;

(3) The FPAC/Compliance team will continue conducting quarterly reviews to identify FMMI users for separation using the eAuthID; and (4) when a separation is notified, the FMD team will be informed and will have 30 days to remove the user's access.

Regarding the third recommendation, this action has also been completed. The action taken involved FPAC IAB's Access Review and RMA teams collaborating to obtain a complete and accurate user listing for their quarterly review baseline. The Access Control Team will send the proper template to ensure the RMA Team has the correct information to generate the baseline document for user listings.

Service's Financial Statements for Fiscal Years 2024 and 2023, 10403-0007-11

To improve financial reporting and internal controls in response to new accounting standards or guidance, FPAC-BC drafted and implemented policy to systematically review, evaluate, communicate, and implement incoming accounting guidance, changes, and updates received from various authoritative sources. To reduce the risk of compromised integrity and availability of financial information systems, FPAC-BC plans to coordinate with stakeholders to improve policies and provide training regarding system access controls for the FMMI system and other NRCS business tools.

IIJA - Community Wildfire Defense Grant Program for At-Risk Communities, 08801-0002-24

The Forest Service enhanced internal controls to ensure transfers to Forest Service Operations comply with IIJA requirements. In support of this effort, the agency reviewed and strengthened indirect cost methodologies, established workload criteria, documented decision-making processes, developed monitoring protocols, and designed a review framework for continual improvement. These enhancements were formalized in a SOP. Final action was achieved, and this audit was closed on April 25, 2025.

USDA's Compliance with Improper Payment Requirements for FY 2023, 50024-0004-24

In FY 2025, in conjunction with the OMB Annual Data Call, FNS provided a detailed description of the actions the agency is taking to bring SNAP into compliance with PIIA requirements. A detailed narrative was provided as evidence of recommendation implementation. Recommendation 2 was closed as of May 14, 2025.

Early in FY 2025, FNS finalized a decision memo describing the actions taken to ensure proper reporting and classification of the CACFP, including how the agency has evaluated and determined if the payments should be considered unknown payments. A copy of the decision memo was provided as evidence of recommendation implementation. Recommendation 5 was closed as of April 28, 2025.

The Farm Service Agency completed the corrective actions for the recommendations addressed to FSA by OIG in its fiscal year 2023 improper payments audit. To improve compliance with the requirements of PIIA, FSA submitted plans describing the actions the agency will take to bring the Emergency Conservation (ECP), Livestock Forage Disaster (LFP), and Non-insured Crop Disaster Assistance Programs (NAP) into compliance.

The Office of the Chief Financial Officer developed a corrective action plan (CAP), the CAP implements controls for program officials responsible for reviewing supporting documentation to verify accuracy and completeness of reported information prior to publication. The OCFO will schedule frequent meetings with the agencies to identify programs that are not in compliance with the PIIA requirements. Final action was achieved by all agencies, and this audit was closed on July 16, 2025.

Foreign Agricultural Service's Controls Over McGovern-Dole International Food for Education Program Funding, 07601-0002-41

To address Management Challenge #3 — Delivering Efficient Programs — the McGovern-Dole Program (MGDP) has made significant strides in improving financial management and reporting. In response to Office of Inspector General (OIG) recommendations, the program closed several key actions by enhancing compliance review protocols, verifying Local and Regional Procurement (LRP) fund expenditures, and updating procedures for advance payments and rollover funds. These improvements were supported by revised Standard Operating Procedures (SOPs), strengthened tracking systems, and documented analyses that reinforce fiscal accountability and program integrity.

Despite this progress, a few recommendations remain open, highlighting areas where financial oversight can be further refined. Specifically, the agency continues to assess the impact of earmarked funds and improve coordination with the Office of the Chief Financial Officer to ensure proper accounting for FY 2021–2022 agreements. Additionally, while most historical agreement close outs have been completed, a small backlog persists due to staffing and coordination challenges, underscoring the need for sustained attention to resource management and interagency collaboration.

The agency is also actively evaluating the effectiveness of its revised close out process, which includes a comprehensive SOP overhaul, staff reassignments, and a proposed financial cover sheet to streamline reviews. These efforts reflect a commitment to continuous improvement in financial reporting and operational efficiency, aligning with the broader goal of delivering programs that are both accountable and responsive to evolving oversight requirements.

USDA's Controls Over Departmental Shared Cost Programs and Working Capital Fund, 50601-0004-23

The Working Capital Fund (WCF) will amend their Departmental Regulation (DR) under roles and responsibilities this fiscal year to include the necessity and timing of having a binding agreement in place before the transfer of funds and provision on service. However, the WCF does place a statement in its reimbursable agreement memo sent to agencies at the start of a new fiscal year along with the Interagency Agreement (IAA) which states, in part, that the WCF does not have the authority to provide services without reimbursement and must obtain signed agreements in a timely fashion.

The Shared Cost Program (SCP) and WCF will place a statement in their respective DRs this fiscal year under roles and responsibilities that states it is the responsibility of the Program Manager and Activity Center to maintain records in such a manner that information and documents are complete and readily available for audit or verifying purposes. The SCP and WCF will add a statement in the allowance letters to Program Managers and Activity Centers stating that it is their responsibility to retain the proper expense support material and make sure they have a documented record retention schedule and process. Additionally, OCFO is in the process of implementing its own records management policy. Once the OCFO policy is finalized, it should be distributed to the SCP and WCF program managers requesting that they update their program record retention process and schedule to align with the new policy.

USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022, 50401-0022-11

Food and Nutrition Services completed an analysis on compliance with Generally Accepted Accounting Principles (GAAP) and prepared a position paper addressing accounting theory and practice for the accounting change in obligation recognition implemented in September 2023. A copy of the position paper was provided as evidence of Recommendation implementation. Final action was achieved, and this audit was closed on June 27, 2025.

Rural Development's Financial Statements for Fiscal Years 2023 and 2022, 85401-0014-11

To resolve the corrective action and achieve final action closure, Rural Developments (RD) Under Secretary approved the RD Administrative Budget Operating & Staffing Plan in April 2024. The budget plan represents RD's strategic planning for operational and contractual priorities, to include a staffing plan of 4448 FTE's on board by 9/30/2024. RD's ending staffing plan resulted in 4579 FTE's onboard at 9/30/2024 with approximately 190 more offers made in September and to be onboarded by December 2024. Additionally, RD estimated a little over 100 FTE losses/exports in FY25 through Pay Period 26. RD's resolution and approved Management Decision to the Unliquidated Obligation (ULO) finding focuses on RD prioritizing increased staffing; of which the Headcount chart showed a net increase of over 200 FTE from October 1, 2023, through December 2024. Final action was achieved, and this audit was closed on February 8, 2025. Final action was achieved, and this audit was closed on February 8, 2025.

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2022, 50024-0003-24

The Farm Service Agency completed the corrective actions to address one of the two recommendations made to FSA by OIG in its fiscal year 2022 improper payments audit. Work to resolve the remaining recommendation is ongoing. To improve compliance with requirements of the PIIA, FSA developed and submitted plans according to guidance issued by OMB describing the actions the agency will take to bring the Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC), Livestock Forage Disaster (LFP) and Emergency Conservation Programs (ECP) into compliance.

The OCFO is reviewing sections of the AFR prior to publication to ensure accuracy and completeness of improper payment data by utilizing a tracking sheet when reviewing internal documentation to ensure consistency and accuracy throughout the review and reporting process and enhancing the current Risk Assessment tracking tool to include a mechanism to track communication with Agency points of contact.

The OCFO will request access to sections of the AFR prior to publication to verify PIIA compliance reporting is consistent and accurate and review Agency responses to compliance related questions in the OMB Annual Data Call to ensure accuracy in reporting. The OCFO will also utilize the OMB Naming Convention Data Call tool to verify the naming convention of programs and ensure any associated improper payment data accurately represents the program.

Commodity Credit Corporation's Financial Statements for Fiscal Years 2022 and 2021, 06403-0005-11

To ensure adequate security and protection of its financial information and to improve general information technology controls over financial system applications, The Commodity Credit Corporation (CCC) updated the FPAC program boundary System Security Plan (SSP) to include the access removal process and timeframe requirements for personnel termination/separation.

The Employee Separation SOP for accounts removal of personnel with financial systems accounts and roles were also updated. Training was provided to managers and supervisors on financial systems account disabling of personnel separated from the agency. The CCC also implemented the periodic review of the FPAC Information Technology Application Audit Logs SOP that was developed and tested for validation. Final action was achieved, and this audit was closed on May 29, 2024.

Natural Resources Conservation Service's Financial Statements for Fiscal Years 2022 and 2021, 10403-0005-11

The Natural Resources Conservation Service completed the corrective actions to address all six of the recommendations made by OIG in its audit of NRCS's financial statements for fiscal years 2022 and 2021, and this audit was closed on February 22, 2024. To improve controls over obligations and the timely liquidation of obligations, NRCS issued an unliquidated obligations (ULO) certification notice identifying deadlines for the close out of open obligations. The agency identified and provided the status of all open obligations to stakeholders and followed up on open obligations with a repeat status from the prior quarter by elevating them to management. Metrics were developed to monitor obligation status and aging, and the applicable standard operating procedures were issued including the updated metrics. To improve controls over journal vouchers, NRCS distributed the journal voucher policy to relevant stakeholders. The population of journal vouchers was then sampled and testing was performed on the population to validate users were complying with the voucher policy.

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021, 50024-0002-24

The Farm Service Agency completed the corrective actions to address the recommendation made to FSA by OIG in its fiscal year 2021 improper payments audit, closing out the audit on February 9, 2023. To improve compliance with requirements of PIIA and to improve compliance with OMB Annual Data Call, FSA developed and submitted the required compliance plans to the appropriate authorizing and appropriations committees of Congress and submitted the applicable information for publication on paymentaccuracy.gov.

In its November 09, 2022 response, the OCFO concurred with the recommendation and stated they have, during the FY22 Annual OMB Data Call, taken the following steps to actively mitigate fatal flaws in USDA reporting and made a reasonable effort to ensure data submitted was reviewed by multiple sources, including: provided programs and Mission Areas internal guidance on the submission process ensuring senior leadership had ample time to review the data and provide approval; reviewed program names listed to ensure the USDA Program Inventory and OMB list matched not only program names but total numbers and notified OMB of missing programs discovered to ensure the programs were added to the OMB tool; downloaded information from the OMB Data Tool daily to ensure programs were actively working on data entry to ensure compliance by the OMB deadline; began an internal review process and compared the responses provided to OMB with responses provided to OCFO and material discrepancies were discussed with the Agency; reviewed submissions were passed to OCFO senior leadership for final review and approval prior to submission of the data to OMB. Lastly, final approval was communicated to Agency program points of contact who submitted the data to OMB, via the tool, by the required deadline.

SUPPLEMENTAL FUNDING

IIJA - Legacy Road and Trail Remediation Program Capping Report on Implementation by Regions 3 and 6, 08601-0007-31

The Forest Service updated Legacy Road and Trail (LRT) guidance to strengthen project selection and documentation, incorporate public input in project ranking, and confirm task eligibility before projects are approved. Final action was achieved, and this audit was closed on June 30, 2025.

IIJA - Legacy Road and Trail Remediation Program – Region 6, 08601-0006-31

The Pacific Northwest Region strengthened LRT project prioritization, documentation, and eligibility reviews. Final action was achieved, and this audit was closed on March 6, 2025.

IIJA - Legacy Road and Trail Remediation Program - Region 3, 08601-0005-31

The Southwestern Region developed an LRT project selection process document outlining how project merits are documented and how eligibility and scoring information are verified. Final action was achieved, and this audit was closed on January 23, 2025.

IIJA - Collaborative Aquatic Landscape Restoration Program, 08801-0002-22

The Forest Service established and implemented a Collaborative Aquatic Landscape Restoration Program (CALR) project tracker spreadsheet, successfully closing Recommendation 2 on March 5, 2025. In addition, the agency is strengthening IIJA National Forest System (NFS) Salary & Expenses (S&E) internal controls and documenting the methodology in a SOP, with Recommendation 1 scheduled for completion by December 31, 2025.

IIJA - Hazardous Fuels Management, 08801-0001-21

The Forest Service updated its IIJA budget structure to enable separate tracking of funds and provisions. The agency also formalized wildfire risk assessment and landscape selection processes. Final action was achieved, and this audit was closed on October 8, 2024.

IIJA - Community Wildfire Defense Grant Program for At-Risk Communities, 08801-0002-24

The Forest Service enhanced internal controls to ensure transfers to Forest Service Operations comply with IJA requirements. In support of this effort, the agency reviewed and strengthened indirect cost methodologies, established workload criteria, documented decision-making processes, developed monitoring protocols, and designed a review framework for continual improvement. These enhancements were formalized in a Standard Operating Procedure. Final action was achieved, and this audit was closed on April 25, 2025.

IIJA - Watershed and Flood Prevention Operations, 10801-0001-24

To improve the accuracy of the NRCS internal and public reporting of program award data, NRCS and the FPAC-BC continued their error analysis of the questioned data, began file corrections, and verified the corrected files are reviewed for posting to USA Spending.gov. To improve its methodology for selecting projects for funding, NRCS developed a merit-based review and selection process that is expected to be approved during fiscal year 2026.

Payment Integrity Information Act Reporting

The Improper Payments Information Act of 2002 (IPIA), as amended and expanded by other laws, collectively required agencies to periodically review all programs and activities susceptible to significant improper payments, conduct payment recapture audits, and utilize Government-wide Do Not Pay (DNP) initiatives. In addition, IPIA had extensive reporting requirements. IPIA was repealed and replaced by the Improper Payment Elimination and Recovery Act of 2010, followed by the Improper Payment Elimination and Recovery Improvement Act of 2012. The Payment Integrity Information Act (PIIA) of 2019 repealed and replaced the previous laws related to improper payments. PIIA established requirements for federal agencies to cut down on improper payments.

OMB Circular A-123, Management's Responsibility for Internal Control provides guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correction and reporting on internal control. Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, govern all payment integrity activity and reporting.

Overview of USDA Programs

Every program within USDA touches the lives of many families throughout America providing natural resources, clean water, food supply and the associated quality of life improvements. USDA's fiduciary controls and processes ensure that its programs are delivered effectively and efficiently while responsibly managing taxpayer dollars. During FY 2025, there were 159 programs administered by USDA component agencies and staff offices. Exhibit 16 provides further details on the alignment of USDA programs to the various mission areas.



Exhibit 16: Number USDA Programs by Mission Area

Mission Area / Agency	# of Programs
Food, Nutrition, and Consumer Services <i>Food and Nutrition Service</i>	17*
Farm Production and Conservation <i>Farm Service Agency, FPAC Business Center, Natural Resources Conservation Service, and Risk Management Agency</i>	59
Food Safety <i>Food Safety and Inspection Service</i>	2
Marketing and Regulatory Programs <i>Agricultural Marketing Service and Animal and Plant Health Inspection Service</i>	8
Natural Resources and Environment <i>Forest Service</i>	14
Rural Development <i>Rural Business-Cooperative Service, Rural Utility Service, and Rural Housing Service</i>	38
Research, Education, and Economics <i>Agricultural Research Service and National Institute of Food and Agriculture</i>	7
Trade and Foreign Agricultural Affairs <i>Foreign Agricultural Service</i>	2
Staff Offices <i>Departmental Administration, Office of Partnership and Public Engagement, Office of the Secretary of the Assistant Secretary of Civil Rights, Office of Budget and Program Analysis, Office of the Chief Economist, Office of the Chief Financial Officer, Office of the Chief Information Officer, Office of the General Counsel, Office of Hearings and Appeals, and Office of Inspector General</i>	12
TOTAL USDA PROGRAMS	159

*The FNS website (fns.usda.gov/programs) details the FNS administration of 16 federal nutrition assistance programs. For improper payment purposes, in FY 2025 FNS reported on 17 programs/activities including for example, the Puerto Rico Nutrition Assistance Program. This example is not listed as a Program on the FNS website as it is Puerto Rico's version of SNAP, but it is reported on separately for improper payment purposes.

OMB identifies programs as either Phase 1 or Phase 2 based on the potential risk of improper payments. Phase 1 programs have annual outlays of over \$10 million and an improper payment rate that is below 1.5 percent. Phase 2 programs exceed the OMB threshold if the reported improper payment amount is above \$10 million and 1.5 percent of the program's total annual outlays or above \$100 million regardless of the associated percentage of the program's total annual outlays.

Based on the OMB guidelines:

- 149 programs were categorized as Phase 1 programs; and
- 10 programs were categorized as Phase 2

HIGH-PRIORITY PROGRAM

A program is categorized as "High Priority" when its annual reported monetary loss improper payment estimate is greater than or equal to \$100,000,000, regardless of the improper payment and unknown payment rate. In 2025, USDA reported six programs as High-Priority. This was a slight increase from FY 2024, when USDA had four High-Priority program. Programs identified as High-Priority report quarterly through an OMB-driven reporting mechanism. The results of the quarterly scorecard can be found at www.paymentaccuracy.gov/payment-accuracy-high-priority-programs.

Phase 1 Reporting

Programs identified as Phase 1 must perform a risk assessment every 3 years. In the interim years, should a program experience any significant legislative changes and/or significant increase in funding, a risk assessment may be done to determine if the program continues to be at low risk for making significant improper payments at or above the threshold levels set by OMB.

In FY 2025, the Department conducted 32 risk assessments of programs in the following agencies:

- Agricultural Research Service
- Commodity Credit Corporation
- Food and Nutrition Service
- Forest Service
- Farm Service Agency
- National Institute of Food and Agriculture
- Natural Resources Conservation Service
- Research, Education, and Economics
- Rural Business-Cooperative Service
- Rural Housing Service
- Rural Utility Service

The risk assessments determined the specific programs the Department will monitor during FY2026 as risk-susceptible to making significant improper payments at or above the threshold levels set by OMB. Six of the 32 risk assessments had estimated outlays under \$10 million. Risk assessments were completed for these programs to ensure proper functionality of internal controls.

For all other programs with outlays less than \$10 million or categorized as Phase 1, a management certification was completed. The management certification requires the program to attest to whether material changes occurred since the last risk assessment. Should the program indicate a material change to the program, OCFO meets with program personnel to better understand the changes and what controls have been implemented to mitigate risk associated with improper payments. Depending on the outcome of that meeting, the program may be required to complete an off-cycle risk assessment the next fiscal year.

Phase 2 Reporting

Annually, programs provide in-depth payment integrity information to OMB for publication via an OMB-designed reporting tool. The data is collected and subsequently published on www.paymentaccuracy.gov to fulfill multiple statutory reporting requirements.

In addition to the reporting requirements outlined in [OMB Circular A-123, Appendix C \(M-21-19\)](#), and [OMB Circular A-136](#), Financial Reporting Requirements, programs identified as High-Priority must provide further information regarding their actions related to improper payments. This information includes an explanation of the description of improper payments made, an estimate of the improper payment amount and rate, an explanation of the causes of improper payments, and any major actions taken or planned to mitigate those causes. This reporting requirement was optional for programs identified as Phase 2; USDA requested that all Phase 2 programs submit a narrative response to be included in the FY 2025 AFR.

The below chart summarizes the 10 Phase 2 programs and provides a brief description of each of the programs:

Exhibit 17: USDA Phase 2 Programs and Descriptions

USDA Agency	Phase 2 Program Name	Program Description
FNS	Supplemental Nutrition Assistance Program (SNAP)*	SNAP provides food benefits to low-income families to supplement their grocery budgets so they can afford the nutritious food essential to health and well-being.
FNS	National School Lunch Program (NSLP)*	NSLP is a federally assisted meal program operating in public and nonprofit private schools and residential childcare institutions. It provides nutritionally balanced and low-cost or free lunches to children each school day. The program was established under the National School Lunch Act, signed by President Harry Truman in 1946.
FNS	School Breakfast Program (SBP)*	The SBP provides reimbursement to states to operate nonprofit breakfast programs in schools and residential childcare institutions. The Food and Nutrition Service administers the SBP at the federal level, state education agencies administer the SBP at the state level, and local school food authorities operate the program in schools.
FNS	Child and Adult Care Food Program (CACFP)	CACFP is a federal program providing reimbursements for nutritious meals and snacks served to eligible children and adults who are enrolled for care at participating childcare centers, day care homes, and adult day care centers. CACFP also provides reimbursements for meals served to children and youth participating in after-school care programs, children residing in emergency shelters, and adults over the age of 60 or living with a disability and enrolled in day care facilities. CACFP contributes to the wellness, healthy growth, and development of young children and adults in the United States.

USDA Agency	Phase 2 Program Name	Program Description
FNS	Summer Food Service Program (SFSP)	The SFSP is a federally funded, state-administered program. USDA reimburses program operators who serve no-cost, healthy meals and snacks to children and teens. Meals are served at summer sites in low-income communities, where sponsors often also offer enrichment activities, or—in approved rural communities facing access issues—may be provided via grab-n-go or delivery.
CCC	Agriculture Risk Coverage (ARC) & Price Loss Coverage (PLC)	The ARC and PLC programs provide financial protections to farmers from substantial drops in crop prices or revenues and are vital economic safety nets for most American farms.
CCC	Livestock Forage Disaster Program (LFP)	The LFP provides payments to eligible livestock owners and contract growers who have covered livestock and who are also producers of grazed forage crop acreage (native and improved pastureland with permanent vegetative cover, or certain crops planted specifically for grazing) that have suffered a loss of grazed forage due to a qualifying drought during the normal grazing period for the county.
CCC	Noninsured Crop Disaster Assistance Program (NAP)	NAP provides financial assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented planting occur due to natural disasters.
FSA	Emergency Conservation Program-Disasters (ECP-Disasters)	ECP-Disasters helps farmers and ranchers repair damage to farmlands caused by natural disasters and put in place methods for water conservation during severe drought.
RMA	Federal Crop Insurance Corporation Program Fund (FCIC)*	The FCIC Program Fund is a wholly owned government corporation managed by RMA. The program serves agricultural producers by providing innovative crop insurance products that strengthen the economic stability of agricultural producers and rural communities. Approved Insurance Providers sell and service federal crop insurance policies through a public-private partnership.

*High-Priority Program

FY 2025 Phase 2 Program Summaries of Payment Integrity Activities, Results, and Mitigation Strategies

FNS Supplemental Nutrition Assistance Program (SNAP)

The SNAP improper payment rate for Fiscal Year (FY) 2024, nationally, is estimated to be 10.93 percent, including over-issuances and under-issuances. Out of a total regular annual issuance of \$93,509,724,058, overpayments are projected to be approximately \$8,662,051,508 while underpayments are projected to be \$1,558,471,890.

The following narrative describes how SNAP's corrective actions were specifically tailored to better reflect the unique processes, procedures, and risks involved in the Program. The system operates through a regulatory defined valid statistical sample of cases that are pulled and reviewed using a two-tier system. An overview is described online at [SNAP Quality Control | Food and Nutrition Service \(USDA.gov\)](#).

Results of the case reviews are entered into SNAP's Quality Control (QC) system, which FNS uses to conduct a root cause analysis to identify the primary causes of errors at the National and State level. At the National level, the leading factors that contributed to over 50 percent of all error dollars nationwide for FY 2024 are: (1) wage and salary errors; (2) household composition errors; and (3) shelter deduction errors. FNS targets technical assistance at the Federal level to hold States accountable for implementing corrective action plans specifically tailored to preventing these errors. FNS requires States to provide regular progress reporting and uses State-reported QC data to measure the impact of corrective actions. Corrective action plans remain open until all activities are completed and validated.

FNS also establishes Federal-level corrective actions tailored to support State payment accuracy efforts. FNS identifies activities based on a sub-root cause analysis and uses a data-driven approach to target resources to States based on risk. The sub-root cause analysis further assesses the specific factors leading to errors. For example, wage and salary errors primarily occur due to households failing to report information and State agencies failing to act on or properly verify income information. FNS identifies Federal-level corrective actions to assist States with improving household reporting and works with States to increase how effectively they act on or verify information. This assistance ensures that corrective actions are tailored to specific and unique causes.

The Food and Nutrition Act of 2008, as amended, establishes authority for FNS to collect over-issuances and provide restitution to households for under-issuances. FNS promulgated regulations at 7 CFR 273.18 governing claims collection. FNS also assists SNAP State agencies using the Treasury Offset Program (TOP) to collect unpaid claims.

The following are corrective actions FNS has completed at the Federal level to address National root causes of error:

Training on Work Requirements: In January of 2025, FNS hosted a virtual training on work requirements for all State agencies. FNS also continues to provide technical assistance to States, as needed, on this issue and track State policies to ensure appropriate implementation, which impact program eligibility requirements.

Supplement to the Keys: In February of 2025, FNS released a guide for States that included strategies, tips, and considerations for balancing payment accuracy and timeliness. States often note that they struggle to prioritize both accurate and timely case processing. For more information, see the Supplement to the Keys.

Training on Systems Changes: In April of 2025, FNS conducted training for States on major changes. Major changes are significant modifications to the way States operate SNAP, and can include changes to policies, local office closures, increased reliance on automation in the eligibility process, and significant upgrades to the State eligibility system. The training sessions provided an overview of what constitutes a major change, when States must notify FNS of major changes, and best practices for monitoring and reporting on major changes to ensure there is no adverse impact on program performance, including payment accuracy.

Identity Verification Memo: In April of 2025, FNS issued a memo to all SNAP State agencies titled “Improving Eligibility Verification to Support Program Integrity.” This memo outlined program requirements for States to verify the identity of applicants, asked States to carefully examine their identify verification practices for compliance, and provided suggestions for ways States can enhance their identify verification processes.

The following are corrective actions FNS has and continues to implement at the Federal level to address National root causes of error:

Earnings Verification Support: At the end of FY 2024, FNS issued grants to State agencies aimed at improving their ability to verify earned income. Implementation of these grants is ongoing. States can use the grant funding to support their use of electronic earned income verification services. This includes paying fees for the use of third party payroll providers to verify household income or evaluating and testing other electronic methods of accurately verifying income for SNAP. Many States use third party payroll providers to verify income when the SNAP household is unable to provide pay stubs or to determine if the household has additional income it failed to report. Wages and salaries is the factor of eligibility that causes the most payment errors.

Root Cause Analysis and Payment Accuracy Tools for States: FNS previously published two dashboards for State QC managers and staff to use to analyze causes of payment errors and trends over time. In May of 2025, FNS expanded access to and awareness of these dashboards and how to effectively use them to include State policy managers and staff working on corrective action planning. These dashboards are designed to allow State users to perform in-depth data analysis on root causes of payment errors, with the ability to filter based on user-designated time periods, certain characteristics of household cases, or by either cases or dollars in error. The dashboards integrate data daily from the SNAP QC electronic system, allowing State agencies to perform up-to-date analysis on their root causes of error at any time. FNS conducted two training events on the new dashboards for both State and Federal users, including policy managers and staff, and will conduct additional training for this audience later in FY 2025.

National Accuracy Clearinghouse (NAC): FNS continued efforts to support States in launching the NAC interstate data matching system, which strengthens payment accuracy by enabling State agencies to prevent issuance of SNAP benefits in more than one State simultaneously. Five States implemented the system in FY 2024, two States implemented in January 2025, and two more are expected to launch in June of 2025. SNAP is also currently providing ongoing support to 10 additional States working toward implementation, and all States are planning for NAC implementation by 2027.

FNS will implement the following corrective action at the Federal level by the end of FY 2025 to address the National sub-root causes of error:

Payment Accuracy Corrective Action Plan Technical Assistance: FNS will provide technical assistance to States as they develop and update their payment accuracy corrective action plans (CAPs). SNAP regulations require each State with an error rate of 6 percent or above develop a plan to reduce or eliminate deficiencies in program operations. The regulations provide that FNS will also provide technical assistance to States in the development of these plans, upon request. FNS provides technical assistance by providing data and guidance and sharing resources with States to assist them in adequately identifying the root causes of payment errors and appropriate actions to address those causes.

National School Lunch Program (NSLP) and School Breakfast Program (SBP)

The NSLP and the SBP are federally assisted meal programs operating in public and nonprofit private schools and residential child care institutions. They reimburse participating schools and institutions for the cost of providing meals to eligible children. NSLP and SBP overpayments are primarily due to errors in determining children's eligibility for program benefits. The secondary source of overpayment comes from errors in counting and claiming meals for federal reimbursement. The most significant barrier to improper payment prevention is the decentralized nature of the program. Certifying children for benefits and counting meals for reimbursement are handled independently by tens of thousands of schools and school districts.

USDA estimates improper payments in the NSLP and the SBP through its Access, Participation, Eligibility, and Certification (APEC) studies. The most recent study, APEC III, conducted in school year (SY) 2017-2018, measured error in two administrative processes. The first is the school and school district-level process of identifying and certifying children for free or reduced-price meal benefits. The second is the school, school district, and State agency process of summing and reporting the number and dollar value of school lunches and breakfasts that qualify for federal reimbursement. We refer to these as certification and aggregation error, respectively.

USDA conducts its APEC studies approximately every five years. Point estimates of improper payments are determined based on the data in the study year and those estimates are adjusted annually using administrative data. APEC III provides point estimates of certification and aggregation error based on SY 2017-2018 data. For fiscal year (FY) 2025 reporting, USDA has updated the certification error estimates from the study using official administrative data on eligibility and meals served, reported for each month of SY 2023-2024. Aggregation error, however, is not easily tied to data that is annually updated, so USDA will continue to use the aggregation error rate from APEC III.

APEC III concluded that aggregation error was very low and did not substantially contribute to improper payments, so we do not believe that holding the estimated rate constant over time would impact our estimate in a statistically or substantively meaningful way.

FNS estimates that the NSLP improper payment error rate in FY 2024 was 6.98%, equating to \$1,389.6 million in improper program payments. FNS estimates that the SBP improper payment error rate in FY 2024 was 7.24%, equating to \$428.2 million in improper program payments.

Errors in both certification and aggregation are, at root, errors in reporting, accessing, and managing data:

- **Certification error**

The process of certifying children for program benefits requires collecting and reviewing income information on household applications or confirming children's eligibility through participation in other means-tested programs. Household applicants make mistakes in reporting household size and income; program rules on who to include in the household for school meal benefit purposes, and which income sources to include, are very specific and not necessarily intuitive. In addition to household error, school district officials make mistakes in reviewing applications, summing income amounts, and comparing that information to the program's income and household size eligibility guidelines. Household reporting and application processing are, by far, the most error prone elements of certification. Nevertheless, there is some error associated with the process of certifying children for school meal benefits through data matching. Both State and school district officials sometimes fail to match an applicant to the dataset of households and/or children who receive benefits through one of several other programs that confer categorical eligibility for free school meals. In some cases, the match process includes a manual component which is necessarily subject to error. But even fully automated match processes can fail due to differences in names or other identifying information on the school program and other benefit program datasets.

- **Aggregation error**

Claiming meals for USDA reimbursement requires summing and transmitting reimbursable meal counts by schools to school food authorities (SFAs), by SFAs to State agencies (SAs), and by SAs to USDA. Error in this process is uncommon. Nevertheless, to the extent that schools, SFAs, or States rely on manual input, summation, or review of meal counts, there remains a risk for error.

During FY 2025, FNS undertook and planned the following activities to mitigate NSLP/SBP improper payments:

Key Actions During FY 2025 to Address NSLP/SBP Improper Payments	
Root Cause	Description of Mitigation Efforts
Internal Process/Policy Change 	<p>USDA provides technical assistance for States wanting to adopt CEP. USDA has also developed a series of resources for States, school districts, and schools on CEP including introductory webinars, written materials, and trainings. CEP eliminates applications and eligibility determinations are instead based on the established process of direct certification, which has little error because it leverages existing data. USDA research shows that through eliminating applications, CEP schools have lower certification error and improper payments than non-CEP schools. USDA expects that increased CEP participation will correspond with a reduction in certification error and a reduction in improper payments.</p> <p>Progress on Access, Participation, Eligibility, and Certification IV</p> <p>USDA is engaged in research related to integrity in NSLP/SBP. The Fourth Access, Participation, Eligibility, and Certification Study (APEC IV) completed data collection in SY 2023-2024, and the contractor is preparing the data for USDA. With this update to the APEC study series, USDA will be able to use a new baseline estimate for improper payments in NSLP and SBP, improving our projected error rates by starting with a more recent starting point. The study also includes a component that examines integrity features of online applications. From this sub study, USDA aims to gain clarity on quality of data collected in online applications used by students and families who apply for free and reduced-price meals.</p>

Direct Certification with Medicaid (DC-M)

DC-M allows State child nutrition agencies to partner with their Medicaid State agencies to certify children without application for free or reduced-price school meal benefits. This process reduces certification error, and by extension, improper payments. Six States opted into USDA's DC-M demonstration project for SY 2024-2025, including Idaho, Maine, New Jersey, North Dakota, Rhode Island, and most recently Arkansas. This brings the total number of States participating to 44.

Root Cause	Description of Mitigation Efforts
Automation 	<p>Non-competitive Technology Innovation Grants (nTIGs)</p> <p>In FY 2024, USDA released \$50M in non-competitive Technology Innovation Grant (nTIG) funds for child nutrition State agencies to improve information technology (IT) systems. Throughout FY 2025, FNS continues its work with grant recipients who are using funds to develop, improve, and maintain child nutrition IT systems. USDA expects that the overall improvement of IT systems by nTIG recipients administering NSLP will improve the State agency's ability to train, monitor, provide technical assistance, and implement corrective actions.</p> <p>Encourage State agency adoption of USDA-developed data validation service</p> <p>USDA modified its process of reviewing State agency management of the NSLP/SBP to encourage adoption of a USDA-developed tool to reduce error in the reporting of NSLP/SBP administrative data. The tool, the Data Validation Service (DVS) is an Application Program Interface (API) that States can include in their platforms for collecting data from their school districts. The DVS provides real-time edit checks and error messages to school districts as they submit data to their States.</p> <p>Child Nutrition State Agency Conference</p> <p>This conference served as a forum for information exchange across States on topics including but not limited to enhancing program integrity. A general session was specifically dedicated to program integrity, and it covered topics like improper payment measurement and fraud investigations. The conference provided the opportunity for State and local agencies to participate in technical training, share best practices or lessons learned, and expand program knowledge.</p>

Child and Adult Care Food Program (CACFP)

CACFP is a federal program providing reimbursements for nutritious meals and snacks served to eligible children and adults who are enrolled for care at participating childcare centers, day care homes, and adult day care centers. CACFP also provides reimbursements for meals served to children and youth participating in after-school care programs, children residing in emergency shelters, and adults over the age of 60 or living with a disability and enrolled in day care facilities. CACFP contributes to the wellness, healthy growth, and development of young children and adults in the United States.

USDA reimburses center-based providers for the cost of program meals at one of three rates. For most centers, these rates are tied to individual participants' household incomes. USDA reimburses providers at its highest "free" meal rate for meals served to children with incomes at or below 130% of the federal poverty guidelines. The agency reimburses providers at lower "reduced-price" and "paid" rates for participants with higher household incomes. USDA reimburses some centers, such as those that participate in CACFP's After School At-Risk program, at the free rate for all meals. These centers, located in approved low-income areas, must serve all meals to their participants without charge.

Centers and sponsors submit meal counts to their respective state for reimbursement each month. These counts include separate subtotals for meals that qualify for reimbursement at the program's free, reduced-price, and paid rates. State agencies in turn submit monthly aggregate claims to USDA for reimbursement. States use these USDA funds to provide reimbursement for allowable meals to CACFP centers and sponsors.

Errors by program sponsors in processing household income applications, and errors in determining whether facilities are located in approved low-income areas, result in certification error – the most significant source of improper payments in CACFP's center-based component. Errors by centers, sponsors, and the states in aggregating and reporting meals for reimbursement, though much less common than certification error, also contribute to the program's improper payments.

USDA estimates error in CACFP child care center reimbursements through periodic studies that collect data from a sample of CACFP child care centers, CACFP sponsors (the entities responsible for direct oversight of centers), and household applicants for CACFP meal benefits. The studies' data come from records maintained by centers and sponsors, on-site observation, and household interviews. States submit claims to USDA for reimbursement on USDA-prescribed administrative data forms. USDA will apply the most recent study's error rate to the current year's reimbursement total at CACFP child and adult care centers.

For CACFP-participating Family Day Care Homes (FDCHs), sponsoring organizations are responsible for classifying each of the homes under their sponsorship as eligible for either Tier I or Tier II reimbursement. FDCH sponsors may determine the tiering status of participating FDCHs using elementary school data, census data, or the provider's documented household income. FDCHs qualify for the higher Tier I reimbursement rates based on their location within low-income areas or the low-income status of the provider. All other FDCHs, referred to as Tier II FDCHs, are reimbursed at lower rates; however, they may still receive the Tier I higher reimbursement rates for meals served to children from families with incomes at or below 185 percent of the poverty level as long as the individual child's eligibility is documented and recorded.

FDCHs report meals and snacks served to enrolled children to their sponsors. Sponsors then submit meal claims to their State agencies, which, in turn, submit aggregated meal claims to FNS. FNS, through State agencies, then reimburses sponsors for all meals and snacks served that meet Federal guidelines and sponsors reimburse the FDCHs.

FNS estimates error in FDCH reimbursement levels through periodic sample-based studies. Studies assess whether day care homes are assigned to the correct reimbursement tier. FNS also recognizes another distinct type of error in FDCHs. This occurs when meal counts, recorded at the point of service, do not align with the number of meals actually served to program participants. FNS attempts to measure this meal counting error in FDCHs but not in CACFP centers. In a day care home setting, meal counting is often a paper-based exercise and is typically the responsibility of the same small home-based team that cares for the children. By contrast, electronic systems and a more formal division of labor between care providers and food service staff are more common in child care centers (especially large centers), and the risk of meal counting error is low.

FNS conducted several studies over several years to identify a reliable method for measuring FDCH meal counting error.^[1] To date, this effort has not generated a cost-effective solution to the agency's improper payment reporting challenge. Due to this lack of a feasible methodology, FNS has not reported on meal counting error in the past. Following consultation with USDA's Office of the Inspector General (OIG) and the Office of Management and Budget (OMB), for FY 2025 reporting FNS will report an interim estimate of meal counting error that is informed by the findings and limitations of past research.

The two most recent studies offer the clearest insights. In the recent Family Day Care Homes Meal Claims Feasibility Study,^[2] the meal claiming error rates were 20.0% and 18.9% from two different approaches using the data collected by the study. However, the sampling method was not nationally representative and these results are not generalizable, as the study was meant to serve as a feasibility test. Additionally, these estimates include overclaims due to meals served outside the service window or due to exceeding the provider's maximum capacity approved by the state. (Note that exceeding the FDCH's approved maximum capacity does not mean that the provider did not care for and serve meals to all of the children in attendance; all it means for certain is that the provider exceeded its approved capacity.) FNS does not typically consider these causes as sources of improper payments because they are not recoverable and are instead remedied through training and technical assistance. Excluding overclaims from these causes would result in rates lower than 10%. This is more comparable to the overall improper payment rates for the school meals programs from APEC-III,^[3] which reports an estimate of 8.02% in the School Breakfast Program and 8.40% in the National School Lunch Program.

A second recent study^[4] relied on data collected by State agencies from their sponsor and site monitoring reviews. The study aimed to determine whether these data, which were not intended to be used for this purpose, could be used to estimate improper payments in daycare homes. However, the study concluded that error was implausibly low compared to our other programs (<1%), which FNS interpreted as an indication that the data were not appropriate for this use. FNS decided not to publish the results because they did not meet our standards for scientific integrity. That said, FNS determined that the study's conclusions provide further support to the position that that the error is likely lower than 10%.

After discussion with OMB, FNS is using 20.0% as our meal counting error rate in FDCHs for FY 2025 reporting. This is the highest estimate from recent feasibility studies, so the agency believes it places an upper bound on improper payments due to meal counting error. The report^[5] detailing the study specifies that this estimate includes causes of error that FNS generally excludes from its criteria for measuring meal counting error in other programs, indicating that it is known to be an overstatement of error. As we continue to research approaches to measuring meal claiming error, we will consider this an interim estimate and we will replace it once we have established a more suitable method.

For FY 2025 reporting, USDA updated the most recent set of studies' sample-based estimate with administrative data. FNS estimates that total error for CACFP amounts to \$445.8 million, or 10.5% of total CACFP federal reimbursements.

During FY 2025, FNS took the following actions to address certification and aggregation error in CACFP's center-based component, and to reduce error in tiering determinations and meal counting in the program's FDCH component.

[1] For two earlier studies that did not generate estimates of IP rates, see [Results of the Feasibility Study of Estimating the Risk of Meal Claiming Error in the CACFP \(2007\)](#) and [CACFP Improper Payments Data Collection Pilot Project \(2009\)](#)

[2] [Child and Adult Care Food Program \(CACFP\) Family Daycare Home Meal Claims Feasibility Study \(2020\)](#)

[3] [Access, Participation, Eligibility and Certification \(APEC\) study series. Most recent version is APEC-III \(2021\)](#)

[4] [Feasibility Study: Calculating Meal Claiming Errors in Family Daycare Homes That Participate in CACFP Using State Monitoring Review Data \(2025\)](#)

[5] [Child and Adult Care Food Program \(CACFP\) Family Daycare Home Meal Claims Feasibility Study \(2020\)](#)

Exhibit 18: FNS CACFP Key Actions to Address Root Causes of Errors

Key Actions During FY 2025 to Address CACFP Improper Payments	
Root Cause	Description of Mitigation Efforts
Internal Process/Policy Change 	<p>Released Summaries on CACFP Integrity Studies</p> <p>USDA released summaries of two integrity studies – the Erroneous Payments in Childcare Centers Study (EPICCS) and a FDCH meal claiming error feasibility study. EPICCS presented key findings relating to broad patterns in CACFP error and highlighted areas for improvement. The improper payment estimates from this study are used as a baseline for calculating annual improper payments, with adjustments using administrative data. The FDCH feasibility study aimed to estimate improper payment rates in FDCHs by using existing data from state monitoring reviews. The results of the FDCH feasibility study help shape methodology for future studies as USDA continues to invest in the identification of a method for assessing meal claiming error in FDCHs.</p> <p>Child Nutrition (CN) Program Integrity Final Rule Implementation</p> <p>The Child Nutrition Program Integrity Final Rule made several changes to the program's oversight process. One provision, which took effect just prior to the start of FY 2025, requires State agencies to increase the frequency of their monitoring of sponsoring organizations with recently identified serious management problems, and sponsors determined to be at risk for serious management problems. Another provision that also took effect just prior to the start of FY 2025 strengthens the states' review of sponsoring organizations' finances.</p>

Key Actions During FY 2025 to Address CACFP Improper Payments (continued)

Root Cause	Description of Mitigation Efforts
	Non-competitive Technology Innovation Grants (nTIGs)
	<p>In FY 2025, USDA released \$28M in non-competitive Technology Innovation Grant (nTIG) funds for child nutrition State agencies to improve information technology (IT) systems. FNS works with grant recipients who are using nTIG funds to develop, improve, and maintain child nutrition IT systems. USDA expects that the overall improvement of IT systems by nTIG recipients administering CACFP will improve the State agency's ability to train, monitor, provide technical assistance, and complete corrective actions.</p>
	Child Nutrition State Agency Conference
	<p>This December 2024 conference served as a forum for information exchange across states on topics including but not limited to enhancing program integrity. A general session was specifically dedicated to program integrity, and it covered topics like improper payment measurement and fraud investigations. The conference provided the opportunity for state and local agencies to participate in technical training, share best practices or lessons learned, and expand program knowledge.</p>
Automation	
	Area Eligibility map updates
	<p>USDA updated its Area Eligibility map in October 2024 with new data for FY 2025 and features improving user-friendliness. The map is one tool used by sponsors and states to assist when making tiering determinations for FDCHs. Keeping the map up to date and improving user experience advances data integrity by reducing error in these determinations.</p>
	Outlier detection using statistical modeling
	<p>FNS has developed a statistical model in cooperation with USDA's National Agricultural Statistics Service (NASS). The model uses state-submitted administrative data and detects inconsistencies between data elements, and in comparison to historical trends. In FY 2025, FNS established procedures for monthly runs of the model with compilation and documentation of potential outlier trends.</p>

FNS: Summer Food Service Program

The SFSP is a USDA FNS-funded State-administered program that provides free meals and snacks to children in low-income areas when school is not in session. At the local level, SFSP is administered by State-approved sponsoring organizations. These organizations manage one or more sites that are located in a variety of settings, including schools, parks, community centers, libraries, farmers markets, apartment complexes, churches, and migrant centers. Traditional summer sites provide meals to children for consumption on site. Many of these sites offer enrichment opportunities for children, such as reading, physical activity, or nutrition education. Other sites, located in approved rural areas, can serve meals for multiple days for pick-up or delivery for offsite consumption.

FNS issues program funds to State agencies, which then pass the funds to SFSP sponsoring organizations to run the program. Sponsoring organizations use that money to cover both the food and administrative costs of the program.

Federal payments require a simple “meals times rate” computation. SFSP sponsoring organizations submit meal counts to their State agencies once per month. Those meal counts are multiplied by one of two SFSP rates. Meals prepared on-site or meals served by sites located in rural areas receive a higher reimbursement rate from FNS, whereas meals prepared by vendors and served at sites in non-rural areas receive a lower rate. Both the self-prep/rural and vended/urban rates are designed to cover food and administrative costs.

FNS is currently engaged in efforts to develop an improper payment estimate for SFSP in accordance with a Sampling and Estimation Methodology Plan (S&EMP) as required by the Office of Management and Budget (OMB). FNS first developed a S&EMP in 2019 and is committed to building upon these efforts. Data collection is ongoing for the SFSP improper payment study, which is described in the S&EMP and estimates meal counting error in the SFSP. USDA began data collection for the SFSP improper payments study in summer 2023. The agency's previous sampling and estimation plan proposed to continue data collection annually through 2028. However, the agency did not collect data in the summer of 2025. USDA will resume data collection in the future contingent on agency resources and priorities.

In addition, FNS is in the early stages of an update and expansion to the Child and Adult Care Food Program (CACFP) Family Day Care Home (FDCH) Tiering Determination study, which will also measure area eligibility in SFSP, which is the primary determinant of program eligibility. The study will also address improper payments in the program's rural non-congregate option, a new feature of the program available since 2023 and only allowed in areas designated as rural, by examining errors in rural determinations for non-congregate site locations. FNS plans to analyze data on program operations from 2025.

Despite these ongoing data collections and studies, FNS does not yet have error measures for meal counting error or certification error in SFSP, which are the two types of error that could cause improper payments in the program and that we are working to estimate. Following consultation with USDA's Office of the Inspector General (OIG) and the OMB, for FY 2025 reporting purposes FNS will not report an error rate for FY 2024, consistent with the approach it has taken since SFSP's S&EMP was originally developed in 2019. At present, the agency believes the available data are insufficient to produce an adequate and reliable estimate, which we will disclose in our entry for SFSP on paymentaccuracy.gov. During FY 2025, FNS and SFSP state administering agencies undertook the following activities to ensure integrity in the program:

Exhibit 19: FNS SFSP Key Actions to Address Root Causes of Errors

Key Actions During FY 2025 to Address SFSP Improper Payments	
Root Cause	Description of Mitigation Efforts
Internal Process/Policy Change 	<p>Guidance and Supporting Materials on the Interim Final Rule "Establishing the Summer EBT Program and Rural Non-Congregate Option in the Summer Meal Programs" To support the adoption of non-congregate meal service flexibilities and promote program integrity, USDA continues to release updated Question and Answer (Q&A) guidance, webinars, and other supporting materials following the implementation of the rule. In early FY 2025, FNS published a set of fact sheets that directly address integrity controls to combat potential program error or fraud in non-congregate meal service.</p> <p>Progress on Improper Payment Studies USDA is working to establish improper payment rates for SFSP in accordance with the Payment Integrity Information Act (PIIA) in an improper payment study. During the summer of 2024, USDA staff continued their data collection efforts for the study and went to approximately 70 SFSP sites in 7 states. In these unannounced site visits, USDA staff observe meal service to compare their meal counts with those recorded by the site staff and reported to the sponsor. Throughout FY 2025, USDA has been working toward collecting records from states in order to estimate an error rate from site observation data.</p> <p>Summer Summit No Kid Hungry hosted the Summer Nutrition Summit in December 2024. The Summit brought together participants from states, territories, tribal agencies, and sponsors. The event provided an opportunity to engage in collaborative discussions and spark innovative ideas, with a focus on successful implementation of non-congregate summer meals and Summer Electronic Benefit Transfer (EBT).</p> <p>FNS-418 Update to Include Non-Congregate A revision to the FNS-418 form, used to report data on meals served in the SFSP is available to States for the first time in the summer of 2025. The form was updated to capture the number of non-congregate meals, attendance, and operating days. This promotes accurate reporting and differentiation between congregate and non-congregate meals.</p>

Key Actions During FY 2025 to Address SFSP Improper Payments (continued)

Root Cause	Description of Mitigation Efforts
Automation	<p>Non-competitive Technology Innovation Grants (nTIGs) In FY 2025, USDA released \$28M in nTIG funds for child nutrition State agencies to improve information technology (IT) systems. FNS works with grant recipients who are using nTIG funds to develop, improve, and maintain child nutrition IT systems. USDA expects that the overall improvement of IT systems by nTIG recipients administering SFSP will improve the State agency's ability to train, monitor, provide technical assistance, and complete corrective actions.</p> <p>Site Finder Update to Improve Functionality The Summer Meals for Kids Site Finder helps families find nearby summer meal sites. In 2024, the Site Finder map was updated to include information on whether the site was Eat On-Site or Meals To-Go to reflect non-congregate changes to the program. In early 2025, USDA introduced a new reporting form for States to standardize the identification of non-congregate sites. This update improves the quality of data on the site finder map while simplifying the reporting process for States. USDA introduced the new form to coincide with a new regulatory requirement that States submit their first file of summer sites by June 30 and update those files at least twice during the summer. This will improve the utility of the map for families of eligible children.</p>

CCC Agriculture Risk Coverage and Price Loss Coverage

The FY 2025 estimated improper payment amount for ARCPCLC is \$18.66 million and the estimated improper payment error rate is 6.71%. In FY 2024, the estimated improper payment amount was \$45.42 million, and the estimated improper error rate was 12.78%. The improper payment rate decreased by 6%, which is a 47% improvement from the prior year.

The root causes of improper payments were failure to access data and statutory requirements not met. Findings of improper payment were primarily related to payment eligibility and payment limitation determinations not following statutory requirements as well as missing documents or signatures.

To address acreage reporting issues, enhancements were released in March 2025, available beginning in program year 2026, to the FSA Crop Acreage Reporting Software (CARS) to properly identify late-filed crops by comparing the acreage reporting date in the Crop Acreage Reporting System (CARS) to the final acreage reporting date in the National Crop Table (NCT) for the crop, crop type, intended use, and planting period. An internal acreage reporting task force was formed to develop solutions and based on the findings, FSA Handbook 2-CP, Amendment 28 was issued.

In addition, conservation compliance and payment limitation national training were provided, and acreage reporting training is being developed. These training courses are or will be available on an internal centralized platform for FSA staff access.

An FSA improper payment trend analysis tool that has FY 2021-2024 improper payment data was published in March 2025. The tool identifies recurring field-level offices improper payment findings, enabling FSA to target those areas for focused training and, where warranted, initiate employee performance or disciplinary actions.

Although there were no changes during this reporting period for payment integrity methodologies and activities, the results of payment integrity testing were significantly improved with a 6% decrease in the improper payment error rate from the prior year.

CCC Livestock Forage Disaster Program

The FY 2025 estimated improper payment amount for LFP is \$77.04 million and the estimated improper payment error rate is 6.41%. In FY 2024, the estimated improper payment amount was \$237.09 million, and the estimated improper error rate was 12.90%. The improper payment rate decreased by 6.5%, which is more than 50% improvement from the prior year.

The root causes of improper payments were failure to access data and statutory requirements not met. Findings of improper payments were primarily related to leases or form CCC-855 Lease Certification complying with established policies and missing or unsigned acreage reporting.

Software enhancements have been completed to improve acreage reporting. Enhancements were released in March 2025, available beginning in program year 2026, to the FSA Crop Acreage Reporting Software (CARS) to provide a late-filed process to properly identify late-filed crops by comparing the acreage reporting date in the Crop Acreage Reporting System (CARS) to the final acreage reporting date in the National Crop Table (NCT) for the crop, crop type, intended use, and planting period. In addition, LFP software was enhanced in February 2025 to interface with the National Crop Table and automatically populate the carrying capacity for the specific forage used in the FSA CCC-853 LFP application to ensure proper payment calculation was completed.

The following National trainings support reducing improper payments:

- Delegation of Authority training in March 2025 to County Offices.
- Acreage Reporting Training series has been issued. New employees will be required to take these training courses, while all current employees will have access to the training courses as a refresher.

FSA recently aligned all the livestock disaster programs signup deadlines to March 1, which provided consistency for administration of programs and an extended signup period specifically for LFP.

An FSA improper payment trend analysis tool that has FY 2021-2024 improper payment data was published in March 2025. The tool identifies recurring field-level offices improper payment findings, enabling FSA to target those areas for focused training and, where warranted, initiate employee performance or disciplinary actions.

Although there were no changes during this reporting period for payment integrity methodologies, activities, the results of payment integrity testing were significantly improved with a 6.5% decrease in the improper payment error rate from the prior year.

CCC Noninsured Crop Disaster Assistance Program (NAP)

The FY 2025 estimated improper payment amount for NAP is \$19.62 million and the estimated improper payment error rate is 10.56%. In FY 2024, the estimated improper payment amount was \$36.55 million, and the estimated improper error rate was 11.61%. The improper payment rate decreased by 1.1%, which is a 9% improvement from the prior year.

The root causes of improper payments were failure to access data and statutory requirements not met. Findings of improper payments were primarily related to late filing procedures not being met and missing documentation related to approved yield, harvested production and crop risk.

Software enhancements have been completed to improve acreage reporting. Enhancements were released in March 2025, available beginning in program year 2026, to properly identify late-filed crops by comparing the acreage reporting date in the Crop Acreage Reporting System (CARS) to the final acreage reporting date in the National Crop Table (NCT) for the crop, crop type, intended use, and planting period.

An internal acreage reporting task force was formed to develop solutions, based on the findings and program input, Handbook 2-CP Amendments have been issued addressing late filed acreage reporting, production, annual forage, and grazing payments.

The following National trainings support reducing improper payments:

- Delegation of Authority training in March 2025 to County Offices.
- Acreage Reporting Training series is in development. New employees will be required to take these training courses, while all current employees will have access to the training courses as a refresher.

An improper payment trend analysis tool that has FY 2021-2024 improper payment data was published in March 2025. The tool identifies staff, county offices and states with continued improper payment findings. The tool will allow the agency to target county offices and staff for targeted training along with holding employees accountable, if warranted, after training has been provided.

No changes have occurred during this reporting period for payment integrity methodologies, activities, however, results for NAP improper payments have improved from last year.

FSA Emergency Conservation Program-Disasters

The FY 2025 estimated improper payment amount for ECP-Disasters is \$73.72 million and the estimated improper payment error rate is 55.5%. In FY 2024, the estimated improper payment amount was \$45.47 million, and the estimated improper error rate was 45.15%. The improper payment rate increased by 10.4%.

The root causes of improper payments were failure to access data and statutory requirements not met. Findings of improper payments were primarily related to missing eligibility documentation and signatures, highly erodible land compliance, performance certification, cost-share itemization and environmental compliance.

To address recurring PIIA findings, FSA developed new software in January 2024 to process ECP cost share applications and payments more efficiently and reduce administrative errors. The new application software contains validations to prevent many of the common PIIA errors. The new ECP software applies to disasters occurring FY 2024 and forward. National training series and calls for the ECP software and policy were conducted throughout 2024.

More recently, to improve oversight of administrative errors, FSA published Notices ECP-95 (January 2025) and ECP-97 (May 2025), which provided updated FSA CCC-770 checklists and required to be used as a review tool with each ECP application, rather than a percentage in past agency compliance requirements. Additional strengthening includes the new requirement for State offices to review a percentage of paid ECP agreements to ensure adherence to policy, proper use of payment scenarios, and proper payments.

Environmental Compliance policy (related to ECP) has been streamlined to include a new FSA form for FY 2025. This new process and policy change will allow for greater flexibility and efficiency for properly evaluating more environmental compliance activities on producer applications, to ensure program and policy integrity is preserved.

An FSA improper payment trend analysis tool that has FY 2021-2024 improper payment data was published in March 2025. The tool identifies recurring field-level offices improper payment findings, enabling FSA to target those areas for focused training and, where warranted, initiate employee performance or disciplinary actions.

The integration of ECP into FSA Internal Review Documentation and Tracking System (IRDTS) is planned for FY 2026. IRDTS is a centralized, automated internal control tracking system that allows FSA users and management at all levels to complete and track program audits, inspections and reviews. IRDTS serves as FSA's tool to ensure internal program reviews are timely completed and review results are monitored, evaluated and recorded.

No changes have occurred during this reporting period for payment integrity methodologies, activities, or results.

RMA: Federal Crop Insurance Corporation Program Fund

For FY2025, RMA reported an estimated error rate of 3.29% and improper payments totaling \$755.03M. There were two main root causes of the reported improper payments: failure to access data/information and inability to access data/information.

The improper payments associated with failure to access data/information resulted from situations where the data/information existed, was obtained, and was used in the payment calculation; however, an administrative error or calculation error caused the proper payment to become improper.

RMA has addressed improper payments for these types of errors in many different ways including, but not limited to; updating FCIC policies and procedures to provide additional clarification, conducting annual Approved Insurance Provider Review (APR), performing program reviews, issuance of Manager's Bulletins, etc. Based on the results of the FY2025 Improper Payment reviews, RMA plans to conduct a root cause analysis that focuses on improper payments that occurred because of errors in determining production to count (PTC). Based on the results of the analysis, RMA will implement a targeted mitigation strategy designed to reduce the occurrence of improper payments associated with PTC.

A majority of improper payments associated with inability to access data/information are the result of certification errors. The federal crop insurance program requires participants to certify a variety of information used to establish the amount of insurance on a policy, total premium, and indemnities. Errors in certifications can lead to improper payments. RMA has, and continues to, identify ways to reduce improper payments in this area. Some of the steps taken include, but are not limited to, updating current policies and procedures, issuing informational memorandums and managers bulletins, conducting program reviews, etc. For FY2025, RMA intends to conduct a root cause analysis pertaining to Actual Production History certifications to ascertain whether the root cause can be attributed to inadequate documentation practices or insufficient adherence to established procedures. Upon establishing the root cause, RMA will formulate a targeted corrective action plan to address the identified issues. This initiative aims to mitigate improper payments associated with unacceptable production evidence.

RMA did not have any changes in payment integrity methodologies, activities, or results that occurred during the reporting period.

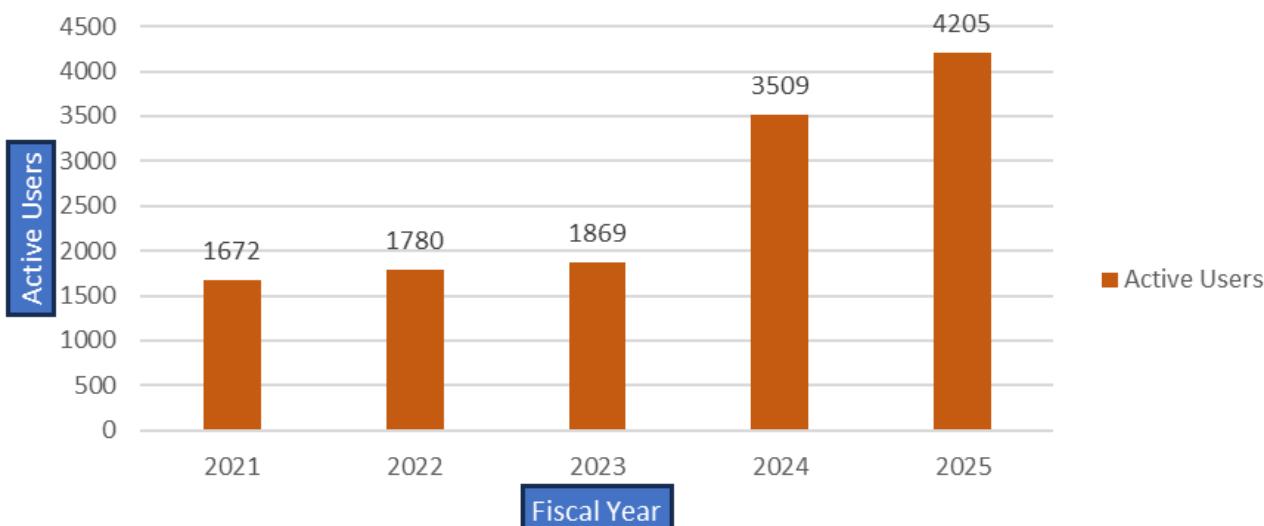
All results data can be found in RMA's Compliance Activities and Results Systems (CARS). CARS is a Microsoft Dynamic Customer Relationship Management (CRM) application that supports case management and date collection.

Do Not Pay

USDA continues to utilize Do Not Pay (DNP) in its efforts to mitigate improper payments. USDA programs currently using DNP utilize the Working System (the "Portal") throughout the payment life cycle. The number of DNP searches reached 62 percent decrease in FY 2025 (from 10,185 to 3,834); the total dollar amount matched from those search activities also decreased by approximately 63 percent (from \$18.58 million to \$6.8 million).

USDA has increased its active users by approximately 20 percent, from 3,509 in FY 2024 to 4,205 in FY 2025. These users span five agencies and multiple programs. USDA consistently increases the number of active users each fiscal year.

Active Users Trend by Fiscal Year



USDA will enroll additional programs for the upcoming fiscal year and explore other options to improve our current services and data search eligibility with Do Not Pay.

Further Information

Annually, the Department gathers, analyzes, and submits data to OMB to be presented on www.paymentaccuracy.gov. OMB presents the data in several different methods, including information on individual agencies or on a Government-wide consolidated basis. This website contains current and historical information about improper payments made under federal programs and extensive information about how improper payments are defined and tracked. Please refer to the [paymentaccuracy.gov](http://www.paymentaccuracy.gov) website for detailed results from the Department's efforts in 2025 to comply with PIIA.

Civil Monetary Penalty Adjustment for Inflation

USDA maintains regulations regarding civil monetary policies at Title 7 of the Code of Federal Regulations, § 3.91 (7 CFR 3.91). The Department reviews and updates the penalties in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

The Department must update its civil monetary penalties to account for annual inflation each year. On May 29, 2025, the Department published the revised penalties for 2025 in the [Federal Register](#).

The penalties, the authorities under which they may be issued, and the current penalty amounts are available in the eCFR's current version of [7 CFR 3.91](#).



Biennial Review of User Fees

Under 31 U.S.C. § 902, CFOs are required to review on a biennial basis fees, royalties, rents and other charges imposed by the agency for services and things of value it provides and to make recommendations on revising those charges.

USDA reviewed fees from activities for special benefits derived beyond those received by the general public by comparing total revenue generated from these activities against the cost of providing these activities.

The results of fees reviewed indicated that most fees are sufficient to recover the full cost of these activities. When fees charged are less than the cost of providing these activities, recommendations on revising those charges are made through promulgation of regulations or proposed legislation as appropriate. Certain fees for surplus property are collected without associated cost.



Grants Programs

Pursuant to OMB Uniform Guidance in Section [200.344\(b\)](#) of Part 2 of the CFR, recipients of grants and cooperative agreements must submit final reports and liquidate all obligations incurred under their awards within 120 days after the end of the period of performance, unless the federal awarding department or agency authorizes an extension, or program-specific statutes specify a different liquidation period.

Exhibit 20 shows that USDA has 391 grants/cooperative agreements with an undisbursed balance of \$84,455,018 for which close out has not yet occurred, but for which the period of performance has elapsed by 2 years or more prior to September 30, 2025.

Exhibit 20: FY 2025 Grants Program Summary

Category	2–3 Years	>3–5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	85	21	10
Number of Grants/Cooperative Agreements with Undisbursed Balances	181	43	51
Total Amount of Undisbursed Balances	\$51,203,079	\$20,708,446	\$12,543,493

Fiscal Year 2025 marked significant progress for USDA agencies in managing outstanding grants/cooperative agreements, achieving a substantial reduction from 5,387 open grants/cooperative agreements in FY2024 to 391 in FY2025, representing a decrease of 4,996. This department-wide effort also resulted in a notable 52% decrease in total of outstanding unobligated grants/cooperative agreements liquidations (ULOs) balances from FY2024 undisbursed balance. These improvements reflect concerted actions to close numerous agreements, resolve a high percentage of expired grant accounts, and significantly reduce undisbursed balances through proactive engagement with grantees to ensure fund draw-down and submission of final financial reports.

Alongside these notable achievements, USDA agencies faced persistent challenges that impacted close out efficiency. Significant staffing reductions across the department, stemming from early retirement programs and internal reassignments, strained grants management capacity and sometimes delayed status changes. A backlog of awards awaiting final reports or internal processing, coupled with a reliance on manual tracking for grant periods of performance, presented operational hurdles. To address these issues, the department is prioritizing close out actions, including administrative close outs for non-performance, while actively developing automated solutions to enhance efficiency and compliance, recognizing that a portion of identified grants remain legitimately open due to future periods of performance.

Agency Audit Resolution Reports

Background

The IG Act Amendments of 1988 (P.L. 100–504; IG Act Amendments) require that each agency head submit semi-annual reports to Congress on actions taken in response to the OIG audit, evaluation, and inspection reports. Consistent with the Reports Consolidation Act of 2000 (P.L. 106–531), the Office of the Chief Financial Officer (OCFO) consolidates, annualizes, and includes the required semi-annual IG Act Amendments' reporting elements in the annual Agency Financial Report.

The Office of the Inspector General audits the Department's programs, systems, and operations and recommends improvements to management based on its findings. The management within the Department may agree or disagree with the audit's findings or recommendations. When management agrees with recommendations in an audit, it submits a written plan for corrective action and an estimated target completion date to the OIG for concurrence. If OIG and management agree that the proposed corrective action will address the finding, the "management decision" process is concluded for that recommendation. The memo outlining the terms of the management decision between management and OIG is retained for audit follow-up purposes.

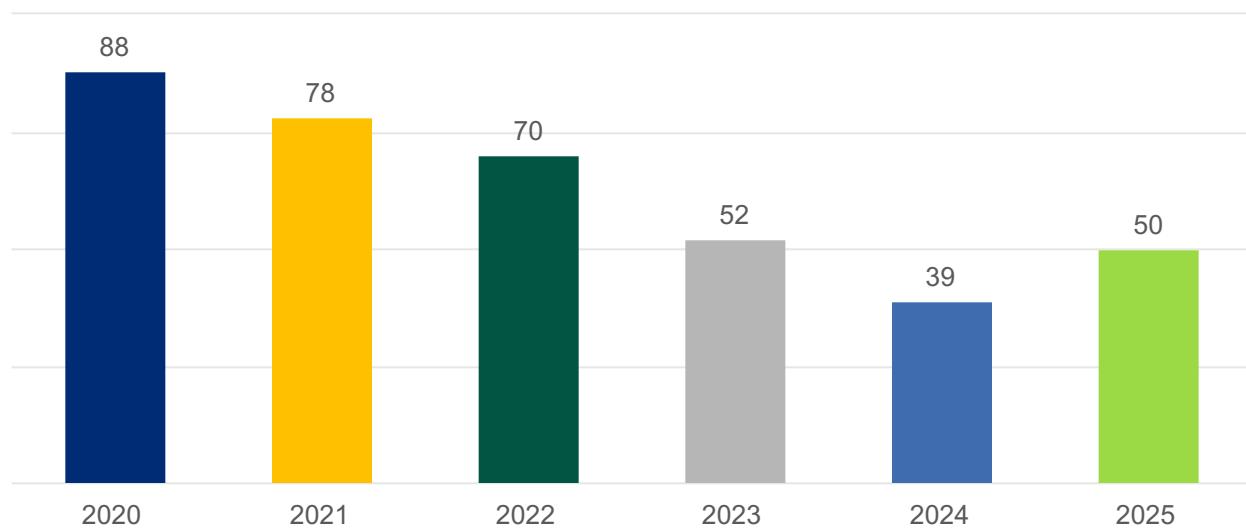
The Office of the Chief Financial Officer oversees audit follow-up for the Department and ensures that management takes prompt and responsive action to address OIG findings and audits. As the Department completes corrective actions relative to the management decision, it submits documentation as "final action" to OCFO to complete the review process. The Office of the Chief Financial Officer reviews the submitted documentation and determines whether the Department provided adequate support for the completion of corrective actions agreed to in the management decision. If confirmed, OCFO "closes" the recommendation. An audit remains open until all corrective actions for each recommendation are completed.



Fiscal Year Results

As of September 30, 2025, USDA agencies closed 27 audits during FY 2025. The OIG and the Department reached management decisions on 38 audits. As shown in the following exhibit, the Department's inventory of open audits increased in FY 2025 by 28 percent, from 39 to 50.

Exhibit 21: Open Audit Inventory



Note: Open audit inventory for FY 2024 corrected to 39.

Audit Follow-Up Process

The IG Act Amendments require an annual report to Congress providing the status of resolved audits that remain open. Resolved audits are those where a management decision has been reached for all recommendations. Reports on resolved audits must include the elements listed in the following bullet points (see Exhibit 22 for definitions):

- Beginning and ending balances for the number of audit reports and dollar value of disallowed costs (DC) and Funds to Be Put to Better Use (FTBU);
- The number of new management decisions reached;
- The disposition of DC and FTBU of audits with final action (for example: accounts receivables, cash collections, agency offsets, write-offs); and
- Resolved audits that remain open 1 year or more past the management decision date require additional reporting elements. These elements include the date issued, the revised estimated completion date, the original dollar value of DC or FTBU, and an explanation as to why the final action has not been completed.

Exhibit 22: Audit Follow-Up Definitions

Term	Definition
DC	An incurred cost questioned by the OIG that management agreed should not be chargeable to the Government.
Final Action	Actions that management has taken to address the audit findings and recommendations.
FTBU	An OIG recommendation that funds could be used more efficiently if management completes the recommendation. This recommendation includes: a. Reductions in outlays or other savings; b. De-obligation of funds from programs or operations; c. The withdrawal of subsidy costs on loans, guarantees, or bonds; and d. Implementation of recommended improvements for grants or contracts, or unnecessary expenditures noted in pre-award reviews of contracts or grant agreements.
Management Decision	Agreement between management and OIG on the corrective action needed to address audit findings and recommendations.



Beginning and Ending Inventory for Audits with DC and FTBU

Of the 27 audits that achieved final action during the fiscal year, five OIG audits originally contained DC. The number of audits with DC remaining in the inventory at the end of the fiscal year was 13, with an outstanding balance of \$18,706,744.35 (see Exhibit 23). For DC audits that achieved final action in FY 2025, OIG and management agreed to collect \$207,341. Of the nine audits listed in the beginning balance, two closed out their DC balances entirely with the change mechanism of Agency Discovery/Documentation. Six additional audits also decreased their DC balances through change mechanisms but otherwise remain open DC audits. In total, during FY 2025, open DC balances decreased by \$3,383,508.27 through balance change mechanisms.

Exhibit 23: Inventory of Audits with DC²

Audits with DC	# of Audits	Amount (\$)
Beginning of the Period (October 1, 2024)	9	\$ 7,246,675
Plus: New Management Decisions	5	\$ 15,050,949
Total Audits Pending Collection of DC	14	\$ 22,297,624
Less: Adjustments		\$ 3,383,508
Revised Subtotal		\$ 18,914,116
Less: Final Actions (Recoveries)	1	\$ 207,341
Audits with DC Requiring Final Action at the End of the Period (September 30,2025)	13	\$ 18,706,775



² This exhibit was generated on 09/30/2025

During FY 2025, two audits with an FTBU achieved final action where one was an FTBU Implemented and the another closed with an FTBU not implemented. Two audits with unresolved FTBU balances remain in the inventory as of September 30, 2025, with an outstanding audit balance of \$70,463,728. (See Exhibit 24).

Exhibit 24: Inventory of Audits with FTBU³

Audits with FTBU	# of Audits	Amount (\$)
Beginning of the Period (October 1, 2024)	2	\$ 19,944,208
Plus: New Management Decisions	2	\$ 55,199,307
Total Audits Pending	4	\$ 75,143,515
Less: Adjustments	0	—
Less: Final Actions	2	\$ 4,679,787
Audits with FTBU Requiring Final Action at the End of the Period (September 30, 2025)	2	\$ 70,463,728
Disposition of FTBU:		
FTBU Implemented	1	\$ 4,661,244
FTBU Not Implemented	1	\$ (18,543)
Total FTBU Amounts for Final Action Audits	2	\$ 4,642,701

The number of audits open for more than one year at the beginning of FY 2025 decreased from the previous fiscal year starting balance of 37 to FY 2025's starting balance of 23. During FY 2025, 16 audits became 1-year-after-Management Decision Date (MDD). Of those, 8 closed and the ending inventory includes the remaining 8 audits that became 1-year-after-MDD during FY 2025. These audits were offset by the 8 audits that were previously 1-year-after-MDD but closed during FY 2025. USDA agencies continue to pursue remediation and/or compensating controls to address many of the underlying issues identified in these audits.

The number of audits open 1 or more years after the MDD decreased by 7 (see Exhibit 25).

Exhibit 25: The Number of Audits Open 1 or More Years After MDD⁴

Audits 1 Year or More After MDD	# of Audits
Beginning of the period	23
Plus: Audits that reached 1 year after MDD during FY 2025	16
Subtotal FY 2025 audits 1 year or more after MDD	39
Less: Audits closed**	16
Ending balance as of September 30, 2025	23

** Includes the 6 closed audits from the beginning balance and the 8 audits that became 1 year or more past MDD and closed this year.

Exhibit 26: Distribution of Audits Open 1 Year or More After MDD^{[1] 5}

Audits on Schedule			Audits Behind Schedule			Audits Under Collection		
#	DC (\$)	FTBU (\$)	#	DC (\$)	FTBU (\$)	#	DC (\$)	FTBU (\$)
4	\$14,843,608	\$50,538,063	9	\$3,863,167	\$19,925,665	7	\$9,084,908	\$0

DC = Disallowed Cost. FTBU = Funds to be Put to Better Use.

³ This exhibit was generated on 09/30/2025

⁴ This exhibit was updated on 09/30/2025

⁵ This exhibit was generated on 09/30/2025

Management's Report on Audit Follow-Up

Audits without Final Action 1 year or more after MDD (excluding the # audits that are just waiting on collections) as of 9/30/2025 are/were behind schedule and listed individually in Exhibit 27. The audits are categorized by agency and the reason why final action has not occurred.

Exhibit 27: Audits Open 1 Year or More After MDD and Behind Schedule

Foreign Agricultural Service

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
07601-0002-41	7/10/2024	6/30/2026	Foreign Agricultural Service's Controls Over McGovern-Dole International Food For Education	\$—	\$19,925,665.00	Issuance of Policy/Guidance
FAS Subtotal (1)				\$—	\$19,925,665	

Farm Service Agency

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
03702-0003-31	3/4/2023	6/30/2026	Wildfires And Hurricanes Indemnity Program - Puerto Rico	\$0	\$0	Receipt and/or Processing of Final Action Documentation; In Collections
03601-0003-31	3/9/2022	6/30/2026	Market Facilitation Program	\$0	\$0	Receipt and/or Processing of Final Action Documentation; Results of Agency Request for Change in Management; In Collections
03702-0002-23	6/9/2021	6/30/2026	2017 Hurricane Relief Emergency Conservation Program	\$0	\$0	Issuance of Policy/Guidance; Receipt and/or Processing of Final Action Documentation; Results of Internal Monitoring or Program Review; In Collections
FSA Subtotal (3)				\$0	\$0	

Natural Resources Conservation Service

NRCS	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
10801-0001-24	6/25/2024	6/30/2026	IIJA - Watershed And Flood Prevention Operations	\$0	\$0	Issuance of Policy/Guidance
50801-0001-22	9/24/2024	3/24/2026	USDA Climate Hubs: Enhancing Working Lands' Resilience And Productivity	\$0	\$0	Issuance of Policy/Guidance
NRCS Sub Total (2)				\$0	\$0	

Office of Partnerships and Public Engagement (OPPE)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
91601-0001-21	11/10/2021	9/30/2026	Outreach And Assistance For Socially Disadvantaged Farmers And Ranchers And Veteran Farmers	\$0	\$0	Issuance of Policy/Guidance
OPPE Subtotal (1)				\$0	\$0	

Office of the Assistant Secretary for Civil Rights

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
60601-0001-21	9/22/2021	1/29/2027	USDA Oversight Of Civil Rights Complaints	\$0	\$0	Issuance of Policy/Guidance
OASCR Subtotal (1)				\$0	\$0	

Office of the Chief Financial Officer

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
50401-0023-11	11/14/2024	11/14/2026	USDA's Consolidated Financial Statements for Fiscal Years 2024 and 2023	\$0	\$0	Issuance of Policy/Guidance
50601-0004-23	3/14/2024	9/30/2026	USDA'S Controls Over Departmental Shared Cost Programs And Working Capital Fund	\$0	\$0	Issuance of Policy/Guidance

50024-0003-24	5/20/2023	6/30/2026	USDA'S Compliance With Improper Payment Requirements For Fiscal Year 2022	\$0	\$0	Issuance of Policy / Guidance
OCFO Subtotal (3)				\$0	\$0	

Office of Chief Information Officer

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
50501-0020-12(1)	6/26/2018	9/30/2026	Improper Usage Of USDA's Information Technology Resources - Interim Report	\$0	\$0	Administrative Action
50501-0027-12	9/25/2024	6/30/2026	USDA'S Compliance With The Geospatial Data Act For Fiscal Year 2024	\$0	\$0	Issuance of Policy/Guidance
50801-0002-12	10/27/2021	4/1/2026	Security Over USDA Web Applications	\$0	\$0	Issuance of Policy/Guidance
50801-0012-12	6/3/2024	1/30/2026	USDA's Management Of Default Credentials	\$0	\$0	Administrative Action
50801-0007-12	8/17/2023	6/29/2026	USDA's Compliance With Binding Operational Directives 19-02 And 22-01	\$0	\$0	Administrative Action
50503-0013-12	7/25/2024	7/31/2026	Department Of Agriculture, Office Of The Chief Information Officer, Fiscal Year 2024	\$0	\$0	Administrative Action
OCIO Subtotal (6)				\$0	\$0	

Office of Small and Disadvantaged Business Utilization (OSDBU)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
50601-0003-23	9/28/2018	2/28/2026	OSDBU's Control Over the Eligibility of Contract Recipients	\$0	\$0	Issuance of Policy/Guidance
OSDBU Subtotal (1)				\$0	\$0	

Risk Management Agency

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
05601-0002-41	5/9/2023	10/15/2026	RMA Agriculture Pilot Insurance Program	\$864,374	\$0	Issuance of Policy Guidance—Negotiation in Appeal
RMA Subtotal (1)				\$864,374	\$0	

Federal Entity Trading Partner Information

A summary of the procedures USDA has performed to identify, reconcile, and resolve intragovernmental balance differences with trading partners (TP) includes communication, exchange of data, and monitoring. USDA implemented G-Invoicing on October 1, 2025, which met the Treasury Financial Manual (TFM) deadline for Buy/Sell transactions.

Identify

USDA utilizes the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to identify significant TP Material Differences above \$10 million.

The Bureau of the Fiscal Service (Fiscal Service) provides an intragovernmental transaction (IGT) scorecard quarterly for Material Differences with significant TP by Reciprocal Category (RC) and U.S. Standard General Ledger (USSGL) identifying relationship challenges with suggested corrective actions.

Reconcile

USDA Agencies and Staff Offices perform monthly and quarterly reconciliations at the transaction level to identify the type of difference in accordance with the TFM section 4750.40b (Reporting Entity's Explanation of Reporting in Material Differences Reports).

USDA Agencies and Staff Offices are required to communicate with TP by exchanging data and discussing causes of differences.

Resolve

USDA Agencies and Staff Offices compare data and determine the corrective action plan with the TP.

USDA Agencies and Staff Offices submit adjusting entries as the buyer or seller in the USDA accounting system, if needed.

Transition

USDA Agencies and Staff Offices were requested to begin using G-Invoicing in April 2021 for the Interagency Agreement (IAA) 7600A General Terms and Conditions (GT&C) in accordance with Fiscal Service Rules of Engagement.

Effective October 1, 2025, USDA Agencies and Staff Offices have begun using G-Invoicing for the IAA Buy/Sell transaction life cycle which includes the 7600A (GT&C), 7600B (Orders), Performance and Settlement.

Non-Discrimination Statement

In accordance with Federal civil rights laws and USDA civil rights regulations and policies, the USDA, its Mission Areas, agencies, staff offices, employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, or American Sign Language) should contact the responsible Mission Area, agency, or staff office, the USDA TARGET Center at (202) 720-2600 (voice), or contact USDA through the Telecommunications Relay Service at 711 (voice and TTY). Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

(1) Mail:

U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Mail Stop 9410
Washington, D.C. 20250-9410, or

(2) Fax:

(202) 690-7442, or

(3) Email:

Program.intake@usda.gov

USDA is an equal opportunity provider, employer, and lender.

Abbreviations — Acronyms

— A —

AARCC	Agricultural Research and Commercialization Corporation
ADA	Anti-Deficiency Act
AFR	Agency Financial Report
AgPay XP	AgPay Xpress
AIPs	Approved Insurance Providers
AMS	Agricultural Marketing Service
APEC	Access, Participation, Eligibility, and Certification Study
APGs	Agency Priority Goals
APHIS	Animal and Plant Health Inspection Service
APP	Annual Performance Plan
APR	Annual Performance Report
AQI	Agricultural Quarantine Inspection
ARC	Agriculture Risk Coverage
ARS	Agricultural Research Service
AWA	Animal Welfare Act

— B —

BAR	Budget and Accrual Reconciliation
BARC	Beltsville Agricultural Research Center
BFR	Beginning Farmer and Rancher

— C —

CACFP	Child and Adult Care Food Program
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CBOs	Certificates of Beneficial Ownership
CCC	Commodity Credit Corporation
CEP	Community Eligibility Provision
CFAP	Coronavirus Food Assistance Program
CFR	Code of Federal Regulations
CIO	Chief Information Officer
CLM	Contract and Lease Management
CoC	Cushion of Credit
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CRBG	Citrus Recovery Block Grant
CRS	Centralized Receivables Service
CSS	Cost Share Software
Cwt.	Hundredweight

— D —

DAFP	Deputy Administrator for Farm Program
DC	Disallowed Costs
DC-M	Direct Certification with Medicaid Demonstration
Department, the	U.S. Department of Agriculture
DHS	Department of Homeland Security
DM&R	Deferred Maintenance
DNP	Do Not Pay
DOL	Department of Labor
DR	Departmental Regulation
DVS	Data Validation Service

— E —

EBT	Electronic Benefits Transfer
ECD	Estimated Completion Date
ECP	Emergency Conservation Program
eFG	ezFedGrants
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ERS	Economic Research Service

— F —

FAS	Foreign Agricultural Service
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCIC	Federal Crop Insurance Corporation
FDCH	Family Day Care Homes
FECA	Federal Employees' Compensation Act
FFAR	Foundation for Food and Agricultural Research
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FFMS	Federal Financial Management System
FIET	Financial Intelligent Enterprise Transformation
FISMA	Federal Information Security Modernization Act
FMFIA	Federal Managers' Financial Integrity Act
FMMI	Financial Management Modernization Initiative
FMS	Financial Management Services
FNCS	Food, Nutrition, and Consumer Services
FNS	Food and Nutrition Service
FPAC	Farm Production and Conservation
FPAC-BC	Farm Production and Conservation Business Center
FPI	Federal Program Inventory
FR	Financial Report
FS	Forest Service
FSA	Farm Service Agency
FSFL	Farm Storage Facility Loan Program
FSH	Forest Service Handbook
FSIS	Food Safety and Inspection Service
FSM	Forest Service Manual
FTBU	Funds to Be Put to Better Use
FTF	Financial Training Forum
FY	Fiscal Year

— G —

GAO	Government Accountability Office
GAOA	Great American Outdoors Act
GSA	General Services Administration
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System

— H —

HANA	High-Performance Analytic Appliance
HHS	Health and Human Services

— I —

IAA	Interagency Agreement
IBNR	Incurred but Not Reported
IG	Inspector General
ILM	Information Lifecycle Management
IPIA	Improper Payments Information Act of 2002
IRDTS	Internal Review Documentation and Tracking System
IRB	Investment Review Board
IT	Information Technology

— K - L —

KPIs	Key Performance Indicators
L&WCF	Land and Water Conservation Fund
LFP	Livestock Forage Disaster Program
LFPA	Local Food Purchase Assistance Cooperative Agreement Program

— M —

MAR	Maximum Allowable Reimbursement
MDD	Management Decision Date
ME	Management Evaluation
MRP	Marketing and Regulatory Programs

— N —

NAL	National Agricultural Library
NAP	Noninsured Crop Disaster Assistance Program
NASS	National Agricultural Statistics Services
NFS	National Forest System
NIFA	National Institute of Food and Agriculture
NRCS	Natural Resources Conservation Service
NSLP	National School Lunch Program
NSWP-II	National Survey of WIC Participants II Study
NTE	Not-to-Exceed
nTIG	Non-Competitive Technology Innovation Grants

— O —

OASCR	Office of the Assistant Secretary for Civil Rights
OBPA	Office of Budget and Program Analysis
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCS	Office of the Chief Scientist
OEEP	Office of Energy and Environmental Policy
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMS	Overseas Maintenance System
OPPE	Office of Partnership and Public Engagement
OSDBU	Office of Small and Disadvantaged Business Utilization

— P - Q —

PB	President's Budget
P.L.	Public Law
PHA	Priority Heritage Assets
PHE	End of Public Health Emergency
PIIA	Payment Integrity Information Act of 2019
PLC	Price Loss Coverage
PMC	Plant Materials Center
PO	Process Orchestration
PPDM	Plant, Pest and Disease Management
PP&E	Property, Plant and Equipment

— R —

RBS	Rural Business Service
RD	Rural Development
REE	Research, Education, and Economics
RMA	Risk Management Agency
RTU	Right-to-use

— S —

SAC	SAP Analytics Cloud
SAP	Systems, Applications, and Products
SBP	School Breakfast Program
SBR	Statement of Budgetary Resources
SD	Serious Deficiency
SDM	Service Delivery Modernization
SFAs	School Food Authorities
SFFAS	Statement of Federal Financial Accounting Standards
SFSP	Summer Food Service Program
SNAP	Supplemental Nutrition Assistance Program
SOB	Summary of Business
SOC	System and Organization Controls
SOP	Standard Operating Procedure
SSAE	Statement on Standards for Attestation Engagements
SSP	Shared Services Provider
SY	School Year
S/4HANA	Suite 4 High-performance SAP Analytic Appliance

— T —

TAS	Treasury Account Symbol
TFAA	Trade and Foreign Agricultural Affairs
TPMC	Tucson Plant Materials Center

— U —

U.S.C.	U.S. Code
USDA	U.S. Department of Agriculture
USSGL	U.S. Standard General Ledger

— V - W —

WFRP	Whole-Farm Revenue Protection Pilot Program
WIC	Women, Infants, and Children



U.S. DEPARTMENT OF AGRICULTURE